Alliance Aviation Services Limited
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ALLIANCE AVIATION SERVICES LIMITED
ACN: 153 361 525
ASX Code: AQZ

ANNUAL REPORT
For the year ended 30 June 2023

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DIRECTORS REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Alliance Aviation Services Limited (the "Company" or "Alliance") and the entities it controlled at the end of, or during, the year ended 30 June 2023.

DIRECTORS

The following persons were Directors of Alliance for the entire financial year ended 30 June 2023 unless otherwise stated:

Name	Role	Period of Directorship
Stephen Padgett, OAM	Chairman, Non-executive Director	Appointed 26 October 2011
Scott McMillan	Managing Director Chief Executive Officer	Appointed 26 October 2011 Appointed 27 July 2022
Peter Housden	Independent non-executive Director	Appointed 26 October 2011
David Crombie, AM	Independent non-executive Director	Appointed 26 October 2011
Lee Schofield	Chief Executive Officer	Appointed 28 May 2015 Resigned 27 July 2022

PRINCIPAL ACTIVITIES

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

KEY MESSAGES

Statutory PBT	Underlying PBT*	Total Revenue & Income	Flight Hours	Operating Fleet
$52.2m	$56.9m	$517.2m	75,195	68
FY22: ($7.1m)	FY22: $45.3m	FY22: $369.4m	FY22: 47,519	FY22: 61
$59.3m Increase	26% Increase		58% Increase	11% Increase

*This is not a statutory number. Refer to the table on page three for further details.

Additional key messages from this report are:

- The Group continued to invest in the recruitment and training of pilots, cabin crew, engineers and related support staff to ensure that capacity requirements continue to be met. These "expansion" costs have not been adjusted in the underlying result.
- 96% of the Groups flying activity in the year was operated for long term contract charter or wet lease clients.
- Contract charter activity benefited with the addition of two new clients in the year. A number of contracts were also renewed during the year, with one being a key client.
- Regular Public Transport (RPT) hours continue to reduce as the Group focuses on being a quality provider of wholesaler capacity.
- The Group increased and extended its wet lease contract with Qantas Airways Limited during the year. 30 E190 aircraft will be available for use by Qantas with 22 aircraft options exercised as at 30 June 2023. The term of the agreement also extended from three to seven years for each aircraft (plus two by two-year extension options).

- The Group negotiated the purchase of 30 additional E190 aircraft in February 2023. Ten of these aircraft will be utilised for current growth requirements, up to eleven may be disassembled to provide spare componentry and engines with the balance available for future growth. Delivery of these aircraft will commence in September 2023 and complete in January 2026.
- Twelve E190 aircraft were added to the fleet and the five Fokker 50 turboprop aircraft were sold, bringing the total operating fleet numbers to 68 as at 30 June 2023 (2022: 61), this includes three aircraft on dry lease.

FINANCIAL REVIEW

KEY FINANCIAL METRICS

Alliance Aviation Services Limited recorded a statutory net profit before tax of $52.2 million and a statutory net profit after tax of $36.5 million for the financial year ended 30 June 2023. This represents an increase of statutory net profit before tax of $59.3 million when compared to the year ended 30 June 2022.

EBITDA*	Statutory PBT	Statutory NPAT	Net Assets	Operating Cashflow
$122.3m	$52.2m	$36.5m	$349.8m	$40.9 m
FY22: $47.6m	FY22: ($7.1m)	FY22: ($5.2m)	FY22: $313.5m	FY22: $52.5m
157% Increase	$59.3m Increase	$41.7m increase	12% Increase	22% Decrease

*This is not a statutory number. Refer to the table below for further details.

Key financial metrics in respect of FY2023 are included in the table below with the prior financial period included to facilitate a direct comparison between years. The table below contains both the statutory and underlying results.

	30 June 2023 $m		Underlying 30 June 2023 $m	
Total Revenue and Income ($m)	517.2	-	517.2	369.4
Earnings before Interest, Tax, Depreciation and Amortisation	122.3	4.7	127.0	91.0
Profit/(Loss) Before Tax	52.2	4.7	56.9	45.3
Income Tax Expense / (benefit)	15.7	(1.4)	17.1	(13.8)
Net Profit After Tax	36.5	3.3	39.8	31.5
Earnings per share - cents	22.7	2.9	24.8	19.6
Total dividends paid / payable in relation to the financial period – cents	-	-	-	-
Net assets	349.8	3.3	353.5	350.2
Net operating cash flow	40.9	4.7	45.6	91.8

*The underlying adjustment comprises $4.7 million of legal costs associated with the proposed Scheme of Arrangement.

REVENUE FROM CONTINUING OPERATIONS

Contract and wet lease revenue both increased throughout the year as did aviation services revenue.

Contract	Wet Lease	RPT	Charter	Other	TOTAL
$297m	$164m	$16m	$16m	$16m	$508m
FY22: $258m	FY22: $55m	FY22: $18m	FY22: $25m	FY22: $11m	FY22: $367m
15% Increase	198% Increase	3% Decrease	36% Decrease	43% Increase	38% Increase

clients, the addition of two new clients and the positive impact of increased margins from contract renewals in the current and prior years. During the year the Group made a strategic decision to relinquish its major inbound tourism charter contract so the aircraft could be deployed on more profitable operations.

- Wet lease revenue grew significantly in the year as the Group was able to deliver additional capacity to its contacted wet lease clients.
- Charter revenue was impacted by the Group having less idle capacity available to operate ad-hoc charters.
- Other revenue includes aviation services and other revenue. The Group continued to provide ground handling and aerodrome management services and continues to grow its spare parts supply business.

CASH FLOW

Operating cash flow for the year was $40.9 million, a decrease of 28% or $11.6 million from the previous financial year.

After adjusting for the $4.9m of costs relating to the proposed Scheme of Arrangement the Group generated an underlying operating cashflow of $45.6 million.

Cash outflows related to investing activities for the year were $96.9 million or $2.4 million lower when compared to the prior comparative period. $52.4 million was expended on aircraft and asset acquisition costs relating to the E190 programme. The Rockhampton hangar project progressed with $17.8 million expended in FY23. Fleet maintenance and engine care costs amounted to $22.5 million. Twelve of the E190 aircraft have been inducted into the operational fleet in FY2023 bringing the total inducted at 30 June 2023 to 31 aircraft. The remaining two aircraft are completing their final maintenance items and are scheduled to be inducted throughout the first quarter of FY2024.

Significant cash inflows relating to investing activities for the year were $15.0 relating to sale of Property, Plant and Equipment.

The Group's net increase in debt was $45.0 million. This comprised $12.3 million drawdown for the deposit payment on the additional 30 E190's, $29.7 million for working capital and capital growth requirements and $8.3 million drawdown from the Northern Australian Infrastructure Facility for the Rockhampton Hangar Project. Loan repayments for the year were $5.3 million.

CAPITAL EXPENDITURE

Capital expenditure for the year was $150.8 million (2022: $120.8 million).

Capital expenditure on pre-existing fleet and services was $73.5 million (2022: $35.7 million). Other capital expenditure incurred during the year for the expansion of the Alliance business was $77.3 million which included the addition of 12 Embraer 190 aircraft into the fleet with 31 operational E190 aircraft at balance date. The investment in these aircraft meets the future operational requirements of the Group.

A reconciliation of this investment is included below.

Reconciliation of Capital Expenditure	**2023 $m**	2022 $m
Fleet Maintenance		
Cash outflows		
Base maintenance providers	**6.9**	**6.8**
Engine care program	**15.6**	**12.9**
Other miscellaneous	**4.2**	**1.8**
Operating costs capitalised	**2.2**	**1.7**
Total Cash outflows	**28.9**	**23.2**
Non-cash		
Parts from inventory used in base maintenance	**44.6**	**14.3**
Total existing fleet maintenance	**73.5**	**37.5**
Growth capital expenditure		
Cash outflows		
Costs associated with E190 program	**52.4**	**68.1**
Rockhampton Hangar	**17.8**	**9.8**

Operating costs capitalised	**2.6**	**3.2**
Total Cash outflows	**72.8**	**81.1**
Non-cash		
Parts from inventory used in base maintenance	**4.5**	**2.2**
Total growth fleet maintenance	**77.3**	**83.3**
Total capital expenditure	**150.8**	**120.8**

SUMMARY OF OPERATIONAL METRICS

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

FLIGHT HOURS

Contract	Wet Lease	RPT	Charter	Ferry/Maint.	**Total**
27,143	45,112	1,071	1,203	666	**75,195**
FY22: 26,926	FY22: 16,112	FY22: 1,934	FY22: 1,946	FY22: 601	**FY22: 47,519**
0.8% Increase	180% Increase	44.6% Decrease	38.2% Decrease	10.8%	**58.2% Increase**

Contract

Flight hours increased marginally during the period however this is not representative of the underlying activity movements that occurred. These are described below:

- The move from turbo prop to larger jet aircraft at Olympic Dam has reduced hours by ~500 hours annualised with minimal differential on the number of passengers transported;
- The reduction in activity as a result of the strategic decision to exit low utilisation tourism charters - ~200 hours;
- Reduction in hours as a result of a client moving to a different aircraft type - ~1,100 hours; and
- The addition of two new clients with current annualised hours of ~1,200.

Wet lease

Wet lease hours continued to grow at an exponential rate as contracted wet lease clients continued to request additional capacity as and when available.

NON-FLIGHT HOUR METRICS

Aircraft in Service	Revenue per Employee	% Contract of Total Revenue	FTE	On Time Performance
68^	$470k	58 %	1,082	96 %
FY22:61	FY22:$450k	FY22:70.1%	FY22:816	FY22:94%
11% Increase	4.4% Increase	12pp decrease.	33% Increase	2% Increase

^Includes three aircraft on dry lease.

Contract revenue continues to represent a significant portion of the total revenue sitting at 58% compared to 70% in FY2022. Wet lease activity has increased by 180% and is now 32% of total revenue.

As at 30 June 2023 the Group had 68 aircraft in service, including three on dry lease. This is a net increase of seven when compared to the prior comparative period.

As at 30 June 2023, Alliance employed 1,082 full time equivalent staff which is an increase of 266 (33%) from the previous financial year (2022: 816). Future staff increases will be planned to meet fleet and demand increase.

The Group has an operational presence in Adelaide, Darwin, Brisbane, Townsville, Cairns, Perth and Rockhampton. The Rockhampton footprint will increase as the hangar enters its operational phase in September 2023.

Alliance continues to hold an enviable industry leading on time performance record with an average of 96% (2022: 94%) for the year ended 30 June 2023. This is one of the major factors that sets Alliance's performance apart from its competitors.

SAFETY

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

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

FLEET

CURRENT FLEET

Alliance operates an all jet fleet of Fokker and Embraer aircraft. The fleet consists of two types of Fokker aircraft namely the F100 (100 seat aircraft) and the F70 (80 seat aircraft) and one type of Embraer aircraft, the E190 (with three cabin configurations, either a 94, 97 or 100 seats).

The total number of Alliance aircraft in service as at 30 June 2023 is shown below:

F50	F70	F100	E190	Total
FY23: Nil	FY23: 13	FY23: 24	FY23: 31*	FY23: 68
FY22: 5	FY22: 13	FY22: 24	FY22: 19^	FY22: 61

*Includes three aircraft on dry lease. ^ Includes two aircraft on dry lease.

The Group continues to utilise a number of base maintenance providers including Jet Aviation in Cairns, Fokker Services Asia in Singapore, Austrian Airlines Technik in Slovakia, Coopesa in Costa Rica and KLMUK in the United Kingdom.

THE INTRODUCTION OF THE EMBRAER FLEET

Throughout FY2023 the following milestones have been achieved in relation to the Embraer E190 fleet:

- An additional 12 Embraer E190 have been added to the Group's Air Operators Certificate as at 30 June 2023 bringing the total to 31.
- Qantas has exercised options for 22 E190's with a further eight options yet to be called.

OUTLOOK AND DIVIDEND

OUTLOOK

The outlook for FY2024 is strong with increased flying from wet lease resulting in improved utilisation of both aircraft and crew resources.

- Contract activity will continue to grow organically from existing clients as well as opportunities to add new clients.
- Qantas Airways Limited exercised an additional four wet lease aircraft options on 19 May 2023. These aircraft will commence wet lease operations in FY2024. This will take the total options exercised to 22 with eight options remaining.
- The Rockhampton hangar will expand the available base maintenance hours at Alliances disposal and deliver reduced maintenance costs by minimising the need to ferry aircraft overseas for maintenance.
- Alliance will continue to focus on cost management during the year, thus ensuring that profitability margins are maintained and where possible increased.

Throughout the outlook period Alliance will focus on the core activity of providing air transport services to the resources sector and providing wet lease capacity to other airlines whilst implementing the next expansion phase for the Group. The core business activities provide a robust base for this expansion and will assist in underwriting this next growth phase.

DIVIDEND

The Directors have formed the view that capital is best retained within the business to complete the substantial expansion program which will lay the foundation for an annualised increase in flight hours by the end of FY2024.

As a result, the Board has decided not to declare a final dividend for the year ending 30 June 2023. This will be revisited at the end of the first half of FY2024.

OTHER RELEVANT FACTS

RISKS

The key risks faced by the Group that have the potential to affect the financial prospects of the Group, as disclosed above, and how the Group manages these risks, include:

- Ability to meet client demand – there is a risk that the Group may not be able to continue to meet capacity demands should the pilot recruitment and training requirements be negatively impacted This risk has been addressed by the Group continuing to recruit pilots well in advance of the operational requirement and utilising a number of simulators across Australia and the world to ensure training can be completed.
- International Supply Chain – there is a risk that the Group may not be able to effectively and efficiently source parts or utilise the services of third party repair/overhaul vendors. This is being managed by long term forecasting of parts and repair requirements, making opportunistic parts package acquisitions and where possible looking for local/domestic suppliers of parts and overhaul services. The Group also endeavours to lock in long term fixed price contracts with suppliers where possible.
- Employee relations – the group has a number of industrial instruments with various workgroups across Australia. There is a risk that an industrial dispute may affect the Groups ability to operate in any one of these locations. The Group manages this risk by engaging with the respective work groups to ensure a fair and equitable outcome.
- Regulatory changes – the Group operates in a highly regulated environment. Any material change to regulation may have an impact on the business. The Group meets regularly with various regulators to ensure that any prospective changes are known, and appropriate actions taken. The Group also is a member of various industry bodies who engage with regulators on the industries behalf.
- Climate change – the Group recognises that climate change is a significant issue for the industry and has engaged with external stakeholders to identify the climate related risks, to put forward strategies to manage the risk and to ensure compliance with future climate change regulation.

- Alliance has a risk management system the ensures that operational and corporate risks are identified and managed appropriately.

ENVIRONMENTAL REGULATION

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance statement for Alliance Aviation Services Limited is located at:

http://www.allianceairlines.com.au/investor-centre/corporate-governance

INFORMATION ON DIRECTORS

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

MR STEPHEN PADGETT, OAM (CHAIRMAN AND NON-EXECUTIVE DIRECTOR)

EXPERIENCE AND EXPERTISE

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

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

OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

None.

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES, OPTIONS AND RIGHTS

6,203,269 ordinary shares held.

MR PETER HOUSDEN (NON-EXECUTIVE DIRECTOR)

EXPERIENCE AND EXPERTISE

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

OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

GrainCorp Limited.

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES, OPTIONS AND RIGHTS

49,698 ordinary shares held.

MR DAVID CROMBIE, AM (NON-EXECUTIVE DIRECTOR)

EXPERIENCE AND EXPERTISE

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

OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

ECP Emerging Growth Limited.

FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

Australian Agricultural Company Ltd.

SPECIAL RESPONSIBILITIES

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

INTERESTS IN SHARES, OPTIONS AND RIGHTS

179,466 ordinary shares held.

MR SCOTT MCMILLAN (MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER)

EXPERIENCE AND EXPERTISE

Scott McMillan has been Managing Director of Alliance since its establishment in April 2002. Prior to joining Alliance, Scott held various positions with Ansett Australia, Flight West Airlines, and qualified as a chartered accountant with Peat Marwick Mitchell & Co (now KPMG). Scott has been involved in the aviation industry since 1986 in Australasia across various financial, operational and commercial roles, including significant experience in the FIFO industry.

OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

None.

SPECIAL RESPONSIBILITIES

Chief Executive Officer and Accountable Manager

INTERESTS IN SHARES, OPTIONS AND RIGHTS

3,773,425 ordinary shares held and nil rights that are performance qualified.

COMPANY SECRETARIES

Mrs Nicola Clark and Mr Marc Devine were appointed as joint Company Secretaries on 18th August 2017.

Mr Marc Devine is also the Chief Financial Officer of the Group.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

Directors	Full Meeting of Directors		Meetings of Committees			
			Audit*		Nomination and Remuneration*	
	Attended	Held	Attended	Held	Attended	Held
S Padgett	5	5	4	4	4	4
P Housden	5	5	4	4	3	4
D Crombie	5	5	4	4	3	4
S McMillan	5	5	-	-	-	-
L Schofield	5	5	-	-	-	-

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

REMUNERATION REPORT (AUDITED)

This report is prepared in accordance with section 300A of the Corporations Act 2001(Cth) (Corporations Act) and has been audited as required by section 308(3C) of the Corporations Act.

The directors present the Group's 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year to the Key Management Personnel (KMP). KMP is defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. The KMP comprises the following:

Name	Role	Appointed	Resigned
Stephen Padgett, OAM	Chairman, Non-executive Director	26 Oct 2011	
Scott McMillan	Managing Director	26 Oct 2011	
	Chief Executive Officer	27 Jul 2022	
Peter Housden	Independent non-executive Director	26 Oct 2011	
David Crombie, AM	Independent non-executive Director	26 Oct 2011	
Lee Schofield	Chief Executive Officer	28 May 2015	27 Jul 2022
Marc Devine	Chief Financial Officer	3 Apr 2017	
Stewart Tully	Chief Operating Officer	19 April 2021	
Rob Nelson	GM Commercial, Aviation Business Development	11 Apr 2021	30 Aug 2022

REMUNERATION POLICY

NON-EXECUTIVE DIRECTOR'S FEES

Fees and payments made to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. There has been no change to Other Non-Executive Directors fees in the financial year other than CPI and the increase in the superannuation guarantee to 10.5% (2022: 10.0%).

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

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

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

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

Fee Type	**2023 (Fees inclusive of superannuation) $**	2022 (Fees inclusive of superannuation) $
Base fees		
Chair	**206,407**	193,661
Other Non-Executive Directors	**86,641**	81,290
Additional Fees		
Committee - chair	**15,477**	14,521

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

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

EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

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

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

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

The Board ensures that executive remuneration satisfies the following key criteria to ensure good remuneration practices are in place:
- competitive and reasonable, enabling the Company to attract and retain key talent,
- aligned to the Company's strategic and business objectives and the creation of shareholder value,
- transparent and easily understood, and
- acceptable to shareholders.

The executive remuneration and reward framework has a number of components:
- Base pay and benefits, including superannuation (referred to as "Total Fixed Annual Remuneration" or "TFAR"); and
- A target performance incentive plan that combines traditional short-term (cash) and long-term (equity) performance incentives (referred to as the "Performance Incentive Plan" or "PIP").

The combination of the above comprises an executive's Total Target Annual Remuneration ("TTAR").

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

TOTAL FIXED ANNUAL REMUNERATION (TFAR)

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

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

The only guaranteed increase in the majority of executive management employment contracts is aligned to any movement in the consumer price index. TFAR is reviewed annually by the Nomination and Remuneration committee.

PERFORMANCE INCENTIVE PLAN (PIP)

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

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

The PIP sets a target amount as a percentage of fixed remuneration (Target Opportunity) and an additional percentage for stretch performance (Stretch Target Opportunity). These targets are assessed against a scorecard of KPIs. This target amount is split 50/50 into cash bonuses and performance rights.

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

FY2023 KEY MANAGEMENT PERSONNEL PIP TARGETS

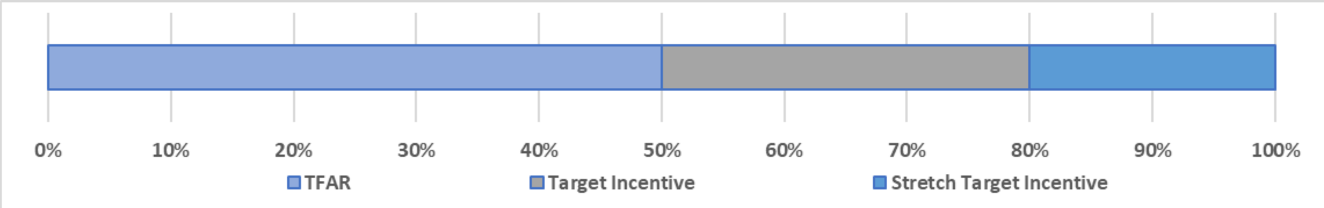
The performance right grant allocation is based on a 5-day volume weighted average share price of $3.51, calculated from 11 August 2022. The performance period is 1 July 2022 to 30 June 2023 and performance is assessed against a scorecard of internal key performance indicators as determined by the Board.

Once assessed, the performance rights become performance qualified, and vesting is then based on continuous service. These vesting periods assist the Group with its targeted retention strategy of Key Management Personnel and executive management team. The vesting schedule is 50% of the qualified rights vest in August 2024 (Tranche 1) and 50% vest in August 2025 (Tranche 2).

TOTAL TARGET ANNUAL REMUNERATION

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

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



PERFORMANCE INCENTIVE PLAN (PIP) SUMMARY

The following outlines the key terms of the Performance Incentive plan which is effective from 1 July 2022.

Performance incentive structure	Performance Incentive Plan to be delivered in the form of up to 50% cash and 50% performance rights (each right equates to a right to one ordinary share).
Performance incentive quantum	Target Incentive for FY2023: 30% of Total Fixed Annual Remuneration (TFAR). There is an opportunity to earn up to 50% of TFAR for exceptional performance. (Stretch Target).
Grant date and allocation methodology	Performance Incentive plan rights are allocated on an annual basis. Performance rights for each 12-month performance period (i.e., financial year) may require shareholder approval to be sought. The allocation methodology is as follows: 1. The value of the equity portion of the performance incentive is calculated. 2. The number of performance rights to be granted is calculated by dividing the maximum possible equity incentive award dollar value (i.e., include stretch targets) by a 5-day average VWAP from around the time of the grant date; and 3. The total number of Performance Rights is granted post shareholder approval and will vest subject to achievement of the required KPI's.
Performance period	Performance is assessed over the financial year – for this incentive plan allocation the financial year ends 30 June 2023.
Performance criteria	Performance will be assessed over a 12-month period against a scorecard of KPIs determined by the Board. These KPIs will include a majority of financial metrics (40% or more together with a small number of operational metrics). • Meet or exceed a PBT of $64.4m for the financial year. • On time performance in excess of 95% for QQ Charter flights and in excess of 92% for wet lease and RPT operations. • The Company's safety record is preserved as measured by: (1) maintaining IOSA accreditation; (2) maintaining BARS Gold: (3) No serious incidents during the year; and (4) no insurance claims greater than the insurance deductible.

Performance Rights vesting conditions	Once the performance criteria have been met and the financial statements are released with an unqualified audit opinion, vesting is based purely on service i.e., for performance rights to vest the participant must remain continuously employed by the Group at each vesting date. Any performance rights which do not vest due to the holder not meeting the KPI targets will lapse. The vesting schedule is as follows: • 50% of the rights will vest on the later of 15th August 2024 or the date on which the Group's FY24 financial statements with unqualified audit opinion are released to the ASX. (Tranche 1) • 50% of the rights will vest on the later of 15th August 2025 or the date on which the Group's FY25 financial statements with unqualified audit opinion are released to the ASX. (Tranche 2)
Exercise of rights	The rights will be deemed exercised on the date of provision of the vesting and confirmation notice or, if the individual is not permitted to trade securities under the Groups securities trading policy on such date, the first subsequent day that the individual is permitted to trade such securities.
Expire Date of Rights	The rights will expire 36 months after the grant date.
Exercise price	Nil.
Cash incentives	Once performance has been assessed, the cash incentives payments are made post the release of the Group's audited and unqualified FY2023 financial statements to the ASX.
Board Discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred PI award.

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

	2019	2020	2021	2022	2023
Profit/(Loss) for the year attributable to Alliance Aviation Services Ltd ($'000)	22,735	26,972	33,671	(5,207)	36,462
Basic Earnings per share (Cents)	18.65	21.09	21.00	(3.24)	22.68
Dividend Payments ($'000)	16,278	11,061	-	-	-
Dividend Payout ratio (%)	71.6	41.0	-	-	-
Share Price as at 30 June	2.58	3.03	4.55	3.57	2.88
Increase / (Decrease) in share price (%)	33.7	17.4	50.2	(21.5)	(19.3)

ASSESSMENT OF PERFORMANCE

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

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

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

KEY MANAGEMENT PERSONNEL AND EXECUTIVE MANAGEMENT TEAM PERFORMANCE INCENTIVE OUTCOMES

To support the business plan for the financial year, the Board set performance targets for each member of the Key Management Personnel and the executive management team. These targets were linked to financial, safety and strategic objectives of the Group. Financial targets include the achievement of the forecast FY2023 PBT. Non-financial targets include safety and on time performance targets.

The table below shows the performance incentive plan outcomes for Key Management Personnel. The FY2023 performance targets for PBT and safety were not met and as a result the Board exercised its discretion to deem the PIP criteria were not achieved for FY2023 as confirmed at 9 August 2023 Board meeting.

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

KPI Target Results	TFAR	PI Target as per KPI $	KPI Outcome	Stretch KPI Outcome	Total PI awarded $	Cash Bonus awarded (50% of total) $	Performance Rights awarded (50% of Total) $
Scott McMillan **Managing Director and Chief Executive Officer**	588,228	176,468	0%	0%	-	-	-
Marc Devine **Chief Financial Officer**	308,816	92,645	0%	0%	-	-	-
Stewart Tully **Chief Operating Officer**	320,476	96,143	0%	0%	-	-	-

CESSATION OF EMPLOYMENT

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

SERVICE AGREEMENTS

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

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

Name	Commencement Date	Term of Employment Contract	Base Salary & Superannuation	Termination Benefits	Notice Period
S McMillan Managing Director / Chief Executive Officer	12-Apr-02	On-going	618,057	Nil	12 months
M Devine Chief Financial Officer / Company Secretary	9-May-16	On-going	367,266	Nil	12 months
S Tully Chief Operating Officer	25-Oct-15	On-going	370,182	Nil	3 months

STATUTORY REMUNERATION TABLE

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

2023	Fixed Remuneration				Variable Remuneration			Total[5]
	Short-term Employee Benefits		Post Employment Benefits	Long Term Employee Benefits	Short-term Employee Benefits	Long Term Benefits	Share Based Payments[1,2]	
	Cash Salary $	Annual Leave $	Super-annuation $	Long Service Leave $	Cash Bonus $	Termination Benefits $	Performance Rights per PIP $	$
Non-Executive Directors								
S Padgett	186,794	-	19,613	-	-	-	-	206,407
D Crombie	92,414	-	9,704	-	-	-	-	102,118
P Housden	102,118	-	-	-	-	-	-	102,118
Sub-total Non-Executive Directors	**381,326**	**-**	**29,317**	**-**	**-**	**-**	**-**	**410,643**
Executive Directors								
S McMillan	590,557	19,312	27,500	11,690	-	-	-	649,059
L Schofield[3]	32,626	1,611	25,292	(2,748)	-	410,750	-	467,531
Other Key Management Personnel								
M Devine	339,766	16,231	27,500	9,890	-	-	-	393,387
S Tully	342,682	6,094	27,500	9,788	-	-	-	386,064
R Nelson[4]	45,756	3,295	12,021	(1,132)	-	68,726	-	128,666
Sub-total Executive Directors and other Key Management Personnel	**1,351,387**	**46,543**	**119,813**	**27,488**	**-**	**479,476**	**-**	**2,024,707**
Total Key Management Personnel compensation (group)	**1,732,713**	**46,543**	**149,130**	**27,488**	**-**	**479,476**	**-**	**2,435,350**

1. Rights to deferred shares granted under the executive STI scheme are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of the rights.
2. Equity-settled share-based payments as per Corporations Regulation 2M.3.03(1) Item 11. These may include negative amounts for options and rights forfeited during the year.
3. L Schofield resigned on 27 July 2022.
4. R Nelson resigned on 30 August 2022.
5. The percentage of performance-based remuneration for FY2023 was nil.

2022	Fixed Remuneration				Variable Remuneration			Total[4]
	Short-term Employee Benefits		Post Employment Benefits	Long Term Employee Benefits	Short-term Employee Benefits[3]	Long Term Benefits	Share Based Payments[1,2]	
	Cash Salary $	Annual Leave $	Super-annuation $	Long Service Leave $	Cash Bonus $	Termination Benefits $	Performance Rights per PIP $	$
Non-Executive Directors								
S Padgett	176,055	-	17,606	-	-	-	-	193,661
D Crombie	87,100	-	8,710	-	-	-	-	95,810
P Housden	95,810	-	-	-	-	-	-	95,810
Sub-total Non-Executive Directors	**358,965**	**-**	**26,316**	**-**	**-**	**-**	**-**	**385,281**
Executive Directors								
S McMillan	555,597	46,225	27,500	12,507	141,925[3]	-	2,484	786,238
L Schofield	403,149	3,667	23,568	18,805	103,723[3]	-	1,815	554,727
Other Key Management Personnel								
M Devine	282,982	6,212	23,568	5,162	74,041[3]	-	1,296	393,261
S Tully	288,606	1,769	27,500	5,635	76,837[3]	-	1,015	401,362
R Nelson	268,679	(1,317)	23,568	954	-	-	-	291,884
Sub-total Executive Directors and other Key Management Personnel	**1,799,013**	**56,556**	**125,704**	**43,063**	**396,526**	**-**	**6,610**	**2,427,472**
Total Key Management Personnel compensation (group)	**2,157,978**	**56,556**	**152,020**	**43,063**	**396,526**	**-**	**6,610**	**2,812,753**

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

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

3. Ex-gratia bonus paid as agreed by the Remuneration Committee on 16 August 2021.

4. The percentage of performance-based remuneration for FY2022 was nil.

OTHER KEY MANAGEMENT PERSONNEL DISCLOSURES

KEY MANAGEMENT PERSONNEL – RIGHTS HOLDINGS

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

Performance Rights	Balance at 1 July 2022	Granted as Remuneration	Cancelled	FY23 Exercised and vested	Forfeited[3]	Balance at 30 June 2023
Directors						
S McMillan	-	41,920	-	-	(41,920)	-
L Schofield[1]	-	-	-	-	-	-
Other Key Management Personnel						
M Devine	-	22,008	-	-	(22,008)	-
S Tully	-	22,839	-	-	(22,839)	-
R Nelson[2]	-	-	-	-	-	-

1. L Schofield resigned and ceased to be a KMP on 27 July 2022.
2. Nelson resigned and ceased to be a KMP on 30 August 2022.
3. As confirmed at 9 August 2023 Board meeting nil rights will become performance qualified due to the failure to meet one out of the three key performance indicators which the targets are assessed on.

RIGHTS TO ORDINARY SHARES - REMUNERATION

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

PERFORMANCE RIGHTS

	Directors		KMP		
	S McMillan	L Schofield[1]	M Devine	S Tully	R Nelson[2]
FY Granted – 2023					
Number granted	41,920	-	22,008	22,839	-
Grant Date	11 Oct 2022		11 Oct 2022	11 Oct 2022	
Share price as grant date ($)	3.23	-	3.23	3.23	-
Vested %	-	-	-	-	-
Vested number	-	-	-	-	-
Qualified %*	-	-	-	-	-
Forfeited %	100	-	100	100	-
Tranche 1 vesting date	15 Aug 2024		15 Aug 2024	15 Aug 2024	
Tranche 2 vesting date	15 Aug 2025		15 Aug 2025	15 Aug 2025	
Fair Value ($)	3.09		3.09	3.09	
Estimated value yet to vest ($)	-	-	-	-	-

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

1.L Schofield ceased to be a KMP on 27 July 2022.

2.R Nelson ceased to be a KMP on 30 August 2022.

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

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

Ordinary Shares - number	Balance at 1 July 2022	Exercise of Rights	FY 2023 Other Additions	Disposals	Other	Balance at 30 June 2023
Directors						
S McMillan	**3,773,425**	-	-	-	**-**	**3,773,425**
L Schofield	**163,568**	-	-	-	**(163,568)[1]**	**-**
S Padgett	**6,203,269**	-	-	-	**-**	**6,203,269**
D Crombie	**179,466**	-	-	-	**-**	**179,466**
P Housden	**49,698**	-	-	-	**-**	**49,698**
Other Key Management Personnel						
M Devine	**64,493**	-	-	-	**-**	**64,493**
S Tully	**87,122**	-	-	-	**-**	**87,122**
R Nelson	**4,502**	-	-	-	**(4,502)[2]**	**-**

1. L Schofield resigned and ceased to be a KMP on 27 July 2022.
2. R Nelson resigned and ceased to be a KMP on 30 August 2022.

LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

There have been no loans to Directors or Key Management Personnel during the financial year. Details of any related party transactions are detailed in Note I4.

SHARES UNDER OPTION

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

The end of the audited remuneration report

INSURANCE AND INDEMNITY OF OFFICERS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

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

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

- All non-audit services have been reviewed by the Audit and Risk committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

ROUNDING OF AMOUNTS

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

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

S Padgett, OAM
Chairman
Sydney
9 August 2023

Auditor's Independence Declaration

As lead auditor for the audit of Alliance Aviation Services Limited for the year ended 30 June 2023, 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.

Tim Allman
Partner
PricewaterhouseCoopers

Brisbane
9 August 2023

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 9 August 2023. The Directors have the power to amend and reissue the financial statements.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	**30 June 2023 $'000**	30 June 2022 $'000
Revenue and Income			
Revenue from continuing operations	A1	**508,239**	367,520
Net foreign exchange gains / (losses)		**(1,325)**	(1,897)
Other income	A2	**10,243**	3,785
Total Revenue and Income		**517,157**	369,408
Expenses			
Direct flight costs	A3	**(151,031)**	(130,788)
Parts and inventory costs	A3	**(40,443)**	(35,256)
Labour and staff related costs	A3	**(179,999)**	(127,619)
Repairs and maintenance costs		**(1,562)**	(1,358)
Accommodation and utility costs		**(2,532)**	(2,284)
IT and communications costs		**(5,304)**	(3,847)
Other administrative costs		**(14,021)**	(8,509)
Finance costs	A3	**(12,516)**	(7,708)
Impairment loss on write-down of disposal group	D5	**-**	(12,141)
Depreciation and amortisation	D2, D3, D4	**(57,574)**	(47,004)
Total Expenses		**(464,982)**	(376,514)
Profit before income tax for the period		**52,175**	(7,106)
Income tax expense	E1	**(15,713)**	1,899
Profit for the period		**36,462**	(5,207)
Other Comprehensive Income			
Items that may be classified to profit or loss:		**-**	-
Other Comprehensive Income for the period net of tax		**-**	-
Total Comprehensive Income for the period		**36,462**	(5,207)
Total Comprehensive Income for the period is attributable to:			
Owners of Alliance Aviation Services Limited		**36,462**	(5,207)

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

Earnings Per Share for Profit from Continuing Operations Attributable to the Ordinary Equity Holders of the Company		**Cents**	Cents
Basic earnings per share	G3	**22.68**	(3.24)
Diluted earnings per share	G3	**22.68**	(3.24)

Consolidated Balance Sheet

For the year ended 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	B1	**22,317**	20,895
Receivables	J1	**79,100**	57,137
Disposal group held for sale	D5	**-**	4,608
Inventory	D1	**89,610**	82,448
Total Current Assets		**191,027**	165,088
Non-Current Assets			
Property, plant & equipment	D2	**563,423**	473,886
Intangibles	D3	**218**	272
Right of use assets	D4	**25,110**	27,244
Total Non-Current Assets		**588,751**	501,402
Total Assets		**779,778**	666,490
LIABILITIES			
Current Liabilities			
Trade and other payables	J2	**85,678**	76,623
Borrowings	B2	**7,452**	5,252
Current tax liabilities		**191**	1,209
Lease liabilities	D4	**2,529**	2,559
Provisions	J3	**19,493**	15,157
Total Current Liabilities		**115,343**	100,800
Non-Current Liabilities			
Borrowings	B2	**227,831**	184,827
Provisions	J3	**1,663**	1,280
Deferred tax liability	E2	**59,621**	39,262
Lease liabilities	D4	**25,553**	26,866
Total Non-Current Liabilities		**314,668**	252,235
Total Liabilities		**430,011**	353,035
Net Assets		**349,767**	313,455
EQUITY			
Contributed equity	G1	**288,206**	288,206
Reserves	G2	**(110,642)**	(110,492)
Retained earnings		**172,203**	135,741
Total Equity		**349,767**	313,455

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 1 July 2022		**288,206**	**(110,492)**	**135,741**	**313,455**
Profit for the period		**-**	**-**	**36,462**	**36,462**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**-**	**-**	**36,462**	**36,462**
Transactions with owners in their capacity as owners:					
Share-based payment reserve	G2	**-**	**-**	**-**	**-**
Share placement issue	G1	**-**	**-**	**-**	**-**
Employee share plan issue		**-**	**-**	**-**	**-**
Foreign currency translation reserve		**-**	**(150)**	**-**	**(150)**
Closing Balance as at 30 June 2023		**288,206**	**(110,642)**	**172,203**	**349,767**

	Notes	Contributed Equity $'000	Reserves $'000	Restated Retained Earnings $'000	Restated* Total Equity $'000
Balance as at 1 July 2021		287,426	(110,238)	140,948	318,136
Profit for the period		-	-	(5,207)	(5,207)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(5,207)	(5,207)
Transactions with owners in their capacity as owners:					
Share-based payment reserve	G2	381	(334)	-	47
Employee share plan issue		399	-	-	399
Foreign currency translation reserve		-	80	-	80
Closing Balance as at 30 June 2022		288,206	(110,492)	135,741	313,455

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		**533,070**	415,430
Payments to suppliers (inclusive of GST)		**(484,806)**	(354,857)
Interest received		**96**	24
Interest paid		**(10,595)**	(6,671)
Income tax (paid) / refunded		**3,114**	(1,472)
Net Cash Flows from Operating Activities	**B4**	**40,879**	52,454
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(96,940)**	(99,311)
Proceeds from sale of property, plant & equipment		**15,032**	-
Net Cash Inflow (Outflow) from Investing Activities		**(81,908)**	(99,311)
Cash Flows from Financing Activities			
Proceeds from borrowings		**50,293**	38,500
Repayment of borrowings		**(5,252)**	(4,752)
Principal elements of lease payments		**(2,590)**	(2,217)
Net Cash Inflow (Outflow) from Financing Activities		**42,451**	31,531
Net Increase (Decrease) in Cash and Cash Equivalents		**1,422**	(15,326)
Cash and cash equivalents at the beginning of the year		**20,895**	36,222
Effects of exchange rate on cash and cash equivalents		**-**	(1)
Cash and Cash Equivalents at End of the Year	**B1**	**22,317**	20,895

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

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A. FINANCIAL OVERVIEW

A1 - REVENUE FROM CONTINUING OPERATIONS

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

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

	30 June 2023 $'000	30 June 2022 $'000
Contract revenue	**296,973**	257,752
Charter revenue	**16,169**	25,434
Wet lease revenue	**163,456**	55,408
RPT revenue	**15,730**	17,930
Aviation services revenue	**14,091**	8,922
Other revenue	**1,820**	2,074
Total revenue generated at a point in time	**508,239**	367,520

The following customers generate in excess of 10% of the Revenue.
Customer A - 22.2%
Customer B - 16.7%

The underlying contracts which give rise the wet lease revenue were reassessed during the year. Included within wet lease revenue is $17.9 million (2022 $4.4 million) representing lease payments for aircraft accounted for as operating leases under AASB16 - Leases. The remainder of wet lease revenue relates to the provision of services to the relevant customers accounted for under AASB 15 - Revenue from contracts with Customers. The table below shows the minimum contracted lease receipts over the contract terms.

Future minimum contracted lease income	**2023 $'000**	2022 $'000
0-1 Year	**23,603**	17,877
1-2 years	**24,216**	19,448
2-3 years	**24,216**	12,063
3-4 years	**24,216**	1,926
4-5 years	**23,574**	-
> 5 years	**23,116**	-

ACCOUNTING POLICY

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

(i) Contract air charter services

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

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

(ii) Ad-hoc charter services

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

A. FINANCIAL OVERVIEW (CONTINUED)

A1 - REVENUE FROM CONTINUING OPERATIONS (CONTINUED)

(iii) Wet lease services

The Group also utilises its fleet for wet lease contracts. A wet lease of an aircraft is an arrangement whereby the Group provides an aircraft, crew, maintenance and insurance to a third-party airline operator. Revenue from wet lease contracts consists of both operating lease revenues for aircraft accounted for under AASB 16- Leases and revenues for services to the relevant customers accounted for under AASB 15 - Revenue from contracts with Customers is derived in accordance with an agreed flight schedule based on completed block hours per flight.

(iv) Regular Public Transport (RPT)

Alliance provides an RPT service to one port in Queensland and a number of blended RPT services (where the contract charter client allows seats to be sold to the general public) to resource sector sites across Australia. RPT refers to services where passengers pay for tickets on scheduled flights. Revenue is derived on a per passenger basis in accordance with an agreed flight schedule based on completed flights.

(v) Aviation services

Alliance has a large inventory consisting of engines, major components and other aircraft parts. Revenue is generated by Alliance through the sale of these items to third parties. Alliance also provides limited engineering services to other aircraft operators. These services include the provision of labour and parts and are invoiced based on typical market conditions of cost-plus margin.

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

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

A2 - OTHER INCOME

	2023 $'000	2022 $'000
Interest income	**101**	16
Other income	**10,142**	3,769
	10,243	3,785

ACCOUNTING POLICY

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

Other Income includes aircraft and engine lease revenue recognised on either a fixed monthly payment, per day lease rate or a per cycle lease rate. In some cases, all rates are applicable. Other Income also includes the gain or loss on the sale of Property, Plant & Equipment.

A. FINANCIAL OVERVIEW (CONTINUED)

A3 - MATERIAL PROFIT OR LOSS ITEMS

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

	2023 $'000	2022 $'000
Direct flight costs	**(151,031)**	(130,788)
General parts and inventory costs	**(40,443)**	(35,256)
Interest expense	**(12,516)**	(7,708)
Labour and staff related costs		
Salaries and wages	**(143,305)**	(105,161)
Superannuation	**(13,426)**	(9,265)
Contractors	**(3,255)**	(3,387)
Travel and accommodation	**(7,358)**	(5,121)
Work cover and payroll tax	**(7,997)**	(5,903)
Other employee expenses	**(9,429)**	(3,668)
Costs capitalised as part of heavy maintenance activities	**4,771**	4,886
	(179,999)	(127,619)
Short-term or low value lease payments where no Right of Use asset is recognised		
Minimum lease payments	**(623)**	**(672)**
Minimum sublease receipts	**179**	**434**

B. CASH MANAGEMENT

B1 - CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash at bank and on hand	**22,317**	20,895

ACCOUNTING POLICY

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

B. CASH MANAGEMENT (CONTINUED)

B2 - BORROWINGS

FACILITIES

The type of borrowing facilities available and utilised as at 30 June 2023 is shown below:

Funding Mechanism	Financier Limit			Current Available $'000	Utilisation $'000
	ANZ $'000	Pricoa $'000	NAIF $'000		
AUD Mechanisms	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Term loan facility I	18,283	-	-	-	18,283
Term loan facility II	41,500	-	-	-	41,500
Term loan facility lll	12,500	-	-	-	12,500
Northern Australia Infrastructure Facility (NAIF)	-	-	21,000	-	21,000
AUD Senior secured guaranteed notes	-	100,000	-	-	100,000
Sub-total Borrowings	**72,283**	**100,000**	**21,000**	**-**	**193,283**
Working capital multi option facility l	4,000	-	-	3,954	46
Bank guarantee facility	1,000	-	-	382	618
Total AUD Mechanisms	**77,283**	**100,000**	**21,000**	**4,336**	**193,947**
USD Mechanisms	**USD**	**USD**	**USD**	**USD**	**USD**
USD Shelf Facility	-	100,000	-	72,011	27,989*
Total USD Mechanisms	-	100,000	-	72,011	27,989

* The AUD42m has been translated to USD at the rate applicable on 30 June 2023 in order to determine the current available limit.

The term loan facility I and ll are amortising loans with repayments due each quarter. Term loan facility lll is a non-amortising loan. Any voluntary repayments on term loan facility I maybe redrawn to $15 million whilst voluntary repayments on term loan facility ll and lll may not be redrawn. The term loans will expire in July 2024.

The Group secured a facility agreement with the Northern Australian Infrastructure Facility to assist in funding the construction of a three-bay maintenance hangar in Rockhampton. This is a non-amortising loan for the first 10 years and post year 10 the facility will decrease with approximately 50% remaining at year 15 (April 2037). The Rockhampton hangar will provide support for the expanding fleet and ensure access to maintenance facilities into the future.

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

The senior secured guaranteed notes, including those issued against the Shelf facility are due progressively over the next eight years with 17% due in November 2025, 17% due in May 2028, 31% due in March 2030 and 35% due in May 2031.

The USD Shelf Facility has an upper limit of USD100 million with drawdowns and repayments being transacted in either USD or AUD as agreed between the parties. In FY23 a drawdown of AUD42 million was made and the parties have agreed repayments will be transacted in AUD. The drawdown has been recorded on the Consolidated Balance Sheet at AUD42 million which has been translated to USD at the rate applicable on 30 June 2023 to reflect the current available limit.

B. CASH MANAGEMENT (CONTINUED)

B2 - BORROWINGS (CONTINUED)

The term loans, working capital multi option facility, the senior secured guaranteed notes and the shelf facility are subject to certain financial covenants and restrictions such as debt service cover ratios, leverage ratios and others.

During the year ended 30 June 2023, the Group maintained compliance with the agreed financial covenants and restrictions of these facilities.

ACCOUNTING POLICY

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

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

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

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

ASSETS PLEDGED AS SECURITY

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

	2023 $'000	2022 $'000
Current		
Floating charge		
Cash and cash equivalents	**22,317**	20,895
Receivables	**79,100**	57,137
Inventory	**89,610**	82,448
Total current assets pledged as security	**191,027**	160,480
Non-Current		
First mortgage	**551,045**	455,209
Aircraft	**551,045**	455,209
Floating charge		
Plant and equipment	**12,378**	18,677
Intangibles	**218**	272
Total Non-current assets pledged as security	**563,641**	474,158
Total Assets Pledged as Security	**754,668**	634,638

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

	2023 $'000	2022 $'000
Cash and cash equivalents	**22,317**	20,895
Borrowings – repayable within one year	**(7,452)**	(5,252)
Borrowings – repayable after one year	**(227,831)**	(184,827)
Net Cash / (Debt)	**(212,966)**	(169,184)
Cash and cash equivalents	**22,317**	20,895
Gross debt - variable interest rates	**(72,283)**	(69,079)
Gross debt - fixed interest rates	**(163,000)**	(121,000)
Net Cash / (Debt)	**(212,966)**	(169,184)

B. CASH MANAGEMENT (CONTINUED)

B3 - NET CASH DEBT

	Opening Balance 1 July 2022	Drawdowns	Repayments	Closing Balance 30 June 2023
Term loan facilities	**77,535**	**-**	**(5,252)**	**72,283**
Senior secured guaranteed notes	**100,000**	**-**	**-**	**100,000**
Northern Australia Infrastructure Facility	**12,544**	**8,456**	**-**	**21,000**
Senior secured guaranteed notes	**-**	**42,000**	**-**	**42,000**
Closing AUD Value as at 30 June 2023	**190,079**	**50,456**	**(5,252)**	**235,283**

	Opening Balance 1 July 2021	Drawdowns	Repayments	Closing Balance 30 June 2022
Term loan facilities	56,287	26,000	(4,752)	77,535
Senior secured guaranteed notes	100,000	-	-	100,000
Northern Australia Infrastructure Facility	-	12,544	-	12,544
Closing Net Book Value as at 30 June 2022	156,287	38,544	(4,752)	190,079

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

	2023 $'000	2022 $'000
Profit for the year (after tax)	**36,462**	(5,207)
Depreciation and amortisation	**57,574**	47,004
Costs incurred as part of heavy maintenance program	**4,771**	4,886
Net (gain)/loss on foreign exchange differences	**(1,325)**	(1,897)
Net (gain)/loss on assets held for sale	**-**	12,141
Change in operating assets and liabilities,		
(Increase)/decrease in trade debtors	**(21,741)**	(6,164)
(Increase)/decrease in inventory	**(67,490)**	(28,077)
(Increase)/decrease in prepayments and other assets	**(221)**	(1,612)
Increase/(decrease) in trade creditors	**355**	27,092
Increase/(decrease) in other operating liabilities	**8,700**	5,308
Increase/(decrease) in provision for income taxes payable	**(1,018)**	(2,318)
Increase/(decrease) in deferred tax	**20,476**	(2,018)
Increase/(decrease) in other provisions	**4,336**	3,316
Net Cash Inflow (Outflow) from Operating Activities	**40,879**	52,454

C. CAPITAL MANAGEMENT

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

C1 – DIVIDENDS

ORDINARY SHARES

	2023 $'000	2022 $'000
In respect of financial year ended 30 June 2023 there was no interim or final dividend declared or paid.	**-**	-

C. CAPITAL MANAGEMENT (CONTINUED)

C1 – DIVIDENDS (CONTINUED)

DIVIDENDS DECLARED BUT NOT RECORDED

A final dividend has not been declared for year ended 30 June 2023.

ACCOUNTING POLICY

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

C2 – FRANKING CREDITS

	2023 $'000	2022 $'000
Franking credits available for subsequent reporting based on a tax rate of 30% (2022: 30%)	**5,966**	10,540

ACCOUNTING POLICY

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

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

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

D1 - INVENTORY

	2023 $'000	2022 $'000
Aircraft spares and spare engines		
• Fokker	**34,717**	36,420
• Embraer	**36,609**	33,713
Total Aircraft spares and spare engines	**71,326**	70,133
Consumables	**18,284**	12,315
Total Inventory	**89,610**	82,448

AMOUNTS RECOGNISED IN PROFIT OR LOSS

Inventory recognised as an expense during the year ended 30 June 2023 amounted to $4,483k (2022: $5,017K), and is included in parts and inventory costs.

ACCOUNTING POLICY

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

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

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

D1 – INVENTORY (CONTINUED)

The Group's maintenance program relies on access to spare parts (rotables) which are interchangeable with parts currently utilised on an aircraft. These rotables are parts that are removed from aircraft and transferred from property, plant and equipment into inventory at the lower of cost or net realisable value (core value).

Rotables taken out of inventory and fitted to an aircraft are transferred to property plant and equipment at the carrying value at the time of transfer. Note K5 discloses the critical estimates and judgements in relation to inventory value.

D2 - PROPERTY, PLANT AND EQUIPMENT

	Aircraft Assets[1] $'000	Property, Plant& Equipment $'000	Total $'000
Opening Balance as at 30 June 2022			
Cost	**767,809**	**40,491**	**808,300**
Accumulated depreciation	**(312,600)**	**(21,814)**	**(334,414)**
Net Book Value	**455,209**	**18,677**	**473,886**
Year ended 30 June2022			
Opening net book amount	**455,209**	**18,677**	**473,886**
Additions	**165,844**	**1,740**	**167,584**
Disposals at Cost	**-**	**(7,600)**	**(7,600)**
Disposals – Accumulated Depreciation	**-**	**1,335**	**1,335**
Transfers – Other	**(16,764)**	**-**	**(16,764)**
Transfers disposal group held for sale	**(41)**	**41**	**-**
Depreciation charge	**(53,203)**	**(1,815)**	**(55,018)**
Closing Net Book Value as at 30 June 2023*	**551,045**	**12,378**	**563,423**

[1] Included within Aircraft assets are aircraft which are leased under operating lease arrangements to other airlines with a net book value of $159.5 million (30 June 2022 $96.2 million).
[2]Included in the additions is the $12.3 million non-refundable deposit paid towards the sale and purchase agreement of an additional 30 Embraer aircraft.

Opening Balance as at 30 June 2021			
Cost	660,606	36,268	696,874
Accumulated depreciation	(270,306)	(19,839)	(290,145)
Net Book Value	390,300	16,429	406,729
Year ended 30 June2021			
Opening net book amount	390,300	16,429	406,729
Additions	131,987	4,546	136,533
Disposals at Cost	-	(278)	(278)
Disposals – Accumulated Depreciation	-	192	192
Transfers – Other	(15,657)	-	(15,657)
Transfers disposal group held for sale	(9,127)	(45)	(9,172)
Depreciation charge	(42,294)	(2,167)	(44,461)
Closing Net Book Value as at 30 June 2022	455,209	18,677	473,886

* Government grants have been off set against the carrying amount of the fit-out costs associated with the Rockhampton Hangar. The grants will be recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the life of the assets as a reduced depreciation expense. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

D2 – PROPERTY, PLANT & EQUIPMENT (CONTINUED)

ADDITIONS AND TRANSFERS

Additions to property, plant and equipment for year ended 30 June 2023 includes 12 E190 aircraft that were added to the Groups air operators' certificate, all aircraft heavy maintenance and the addition of any major and significant components. Transfers relate to the removal of rotable parts from the aircraft which are transferred to inventory.

In FY22 Aircraft Assets and other Property, plant & Equipment relating to the Fokker 50 fleet identified as part of the disposal group have been transferred to the Disposal Groups held for sale. Refer to Note D5 for further information.

ACCOUNTING POLICY

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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

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

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

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

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

D2 – PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Government grants will be off set against the carrying amount of the capital costs for which the grants are extended. The grants will be recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the life of the assets as a reduced depreciation expense.

D3 - INTANGIBLE ASSETS

	2023	2022
	$'000	$'000
Opening net book amount	**272**	383
Additions	**-**	-
Amortisation charge	**(54)**	(111)
Closing Net Book Value	**218**	272

The Group amortises intangible assets over the following period:

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

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

D4 - LEASES

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

AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

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

	30 June 2023	30 June 2022
	$'000	$'000
Right of use assets		
Properties	**25,110**	27,244
Total right of use assets	**25,110**	27,244
Lease liabilities		
Current	**2,529**	2,559
Non-current	**25,553**	26,866
Total lease liabilities	**28,082**	29,425

ADDITIONS

Additions to the right of use assets during the 2023 financial year were $368k which were revised lease arrangements in Adelaide, Perth and Brisbane.

D4 – LEASES (CONTINUED)

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

The consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases:

	30 June 2023 $'000	30 June 2022 $'000
Depreciation charge for right of use assets		
Properties	**2,502**	2,432
Total depreciation charge for right of use assets	**2,502**	2,432
Other costs relating to leases:		
Interest expense (included in finance costs)	**966**	849

Total cash out-flow for leases for the year ended 30 June 2023 was $2,590k.

THE GROUP'S LEASING ACTIVITIES

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

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

ACCOUNTING POLICY

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

D4 - LEASES (CONTINUED)

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

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

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

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

EXTENSION AND TERMINATION OPTIONS

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

D5 –DISPOSAL GROUP HELD FOR SALE

The Group identified the Fokker 50 fleet along with related engines, inventory and specific property, plant and equipment as forming a disposal group in accordance with *AASB5 - Non-current Assets Held for Sale and Discontinued Operations* in FY22.

A buyer was identified, and a letter of intent was executed in FY22 with completion of the transaction occurring in the second quarter of FY23.

The Group had recognised an impairment loss on the write-down of the disposal group to fair value less costs to sell of $12.1million in FY22. This impairment was recorded in FY22 against Property, Plant & Equipment ($6.6m) and Inventory ($5.5 m). No material variation to these values occurred at time of sale.

ACCOUNTING POLICY

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

E. INCOME TAX EXPENSE AND DEFERRED TAX

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

E1 - INCOME TAX EXPENSE

	2023 $'000	2022 $'000
(a) Income Tax Expense		
Current tax		
Current tax on profits for the year	**(4,763)**	25
Total current tax expense		25
Deferred income tax		
Utilisation of unused tax losses	**-**	-
Decrease/(increase) in deferred tax assets	**3,779**	(12,830)
(Decrease)/increase in deferred tax liabilities	**16,697**	10,906
Total deferred tax expense / (benefit)	**20,476**	(1,924)
Income tax expense on profit from continuing operations	**15,713**	(1,899)
Effective tax rate	**30.1%**	26.7%

	2023 $'000	2022 $'000
(b) Numerical Reconciliation of Income Tax (Benefit) / Expense to Prima Facie Tax Payable		
Profit / (loss) before income tax expense	**52,175**	(7,106)
Tax at the Australian Corporate tax rate of 30% (2022:30%)	**15,653**	(2,132)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry	**60**	233
Income Tax (Benefit) / Expense	**15,713**	(1,899)

	2023 $'000	2022 $'000
(c) Amounts recognised directly in equity		
Aggregate deferred tax arising in the reporting period and directly credited to equity	**(117)**	(117)

E. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

E2 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax Assets	**2023 $'000**	2022 $'000
The Balance Comprises Temporary Differences Attributable to:		
Tax losses	**5,089**	7,973
Employee benefits	**6,347**	4,931
Property, plant and equipment	**959**	4,359
	12,395	17,264
Other		
Unrealised foreign exchange	**1,145**	1,288
Accruals	**664**	166
Other	**1,922**	1,188
Sub-Total Other	**3,731**	2,642
Total deferred tax assets	**16,126**	19,905
Set-off of deferred tax liabilities pursuant to set-off provisions	**(16,126)**	(19,905)
Net Deferred Tax Assets	**-**	-

Deferred Tax Liabilities	**2023 $'000**	2022 $'000
Balance Comprises Temporary Differences Attributable to:		
Property, plant and equipment	**75,488**	57,901
Prepayments and other assets	**-**	-
Other	**-**	-
Unrealised Foreign Exchange	**376**	1,266
Sub-Total Other	**75,864**	59,167
Total Deferred Tax Liabilities	**75,864**	59,167
Set-off of deferred tax assets pursuant to set off provisions	**(16,126)**	(19,905)
Net Deferred Tax Liabilities	**59,738**	39,262

ACCOUNTING POLICY

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

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

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

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

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

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

E. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

E2 - DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

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.

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

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

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

Deferred Tax Asset movements	Tax Losses $'000	Employee Benefits $'000	Property, Plant and Equipment $'000	Other $'000	Total $'000
Balance as at 1 July 2021	31	3,943	413	2,595	**6,982**
Charged/(credited) to Profit or Loss	7,942	988	3,946	47	**12,923**
Balance as at 30 June 2022	**7,973**	**4,931**	**4,359**	**2,642**	**19,905**
Charged/(credited) to Profit or loss	(2,884)	1,416	(3,400)	1,089	**(3,779)**
Balance as at 30 June 2023	5,089	6,347	959	3,731	**16,126**

Deferred Tax Liability movements	Intangible Assets $'000	Property, Plant and Equipment $'000	Other $'000	Total $'000
Balance as at 1 July 2020	**(10)**	47,421	**850**	**48,261**
(Charged)/ credited to Profit or Loss	-	10,480	426	**10,906**
Balance as at 30 June 2021	**(10)**	**57,901**	**1,276**	**59,167**
(Charged)/ credited to Profit or loss	-	17,597	(900)	**16,697**
Balance as at 30 June 2022	**(10)**	**75,498**	**376**	**75,864**

F. FINANCIAL INSTRUMENTS

F1 - FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange rate risk and aging analysis for credit risk. The use of financial instruments is governed by the Group's policies approved by the Board of Directors and are not entered into for speculative purposes. The Group holds the following financial instruments:

F1 - FINANCIAL RISK MANAGEMENT (CONTINUED)

	2023 $'000	2022 $'000
Financial Assets		
Cash and cash equivalents	**22,317**	20,895
Trade and other receivables*	**71,672**	50,626
Total Financial Assets	**93,989**	71,521
Financial Liabilities		
Trade and other payables	**85,678**	76,623
Borrowings	**235,283**	190,079
Lease liabilities	**28,082**	29,425
Total Financial Liabilities	**349,043**	296,127
Net Financial Assets/(Liabilities)	**(255,054)**	(224,606)

*Excludes prepayments and other assets.

FOREIGN EXCHANGE RISK

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

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

	2023				2022			
	USD $'000	EUR $'000	GBP $'000	NZD $'000	USD $'000	EUR $'000	GBP $'000	NZD $'000
Trade and Other Receivables	**16,519**	**-**	**-**	**-**	**1,931**	-	11	-

Sensitivity: As at 30 June 2023, 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 $826k (2022: +/- $98k).

	2023				2022			
	USD $'000	EUR $'000	GBP $'000	NZD $'000	USD $'000	EUR $'000	GBP $'000	NZD $'000
Trade and Other Payables	**(15,726)**	**(1,920)**	**(304)**	**(5)**	(13,796)	(1,784)	-	-

Sensitivity: As at 30 June 2023, 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 $898k (2022: +/- $779k).

INTEREST RATE RISK

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

The Group's variable rate borrowings outstanding as at 30 June 2023 and a sensitivity analysis of movement of 25 basis points is shown in the tables below.

F. FINANCIAL INSTRUMENTS (CONTINUED)

F1 - FINANCIAL RISK MANAGEMENT (CONTINUED)

	2023 Weighted Ave. Interest Rate %	Balance $'000	2022 Weighted Ave. Interest Rate %	Balance $'000
Bank Loans	**4.7**	**72,283**	4.3	90,079
Net exposure to cash flow interest rate risk	**-**	**72,283**	-	90,079
Profit and Loss Impact				
Sensitivity +/- impact of 0.25% change: $'000	-	181	-	225

CREDIT RISK

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

RISK MANAGEMENT

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

IMPAIRMENT OF TRADE RECEIVABLES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rate and loss allowance has been assessed as $nil as at 30 June 2023 (30 June 2022: $nil). This is because there is no history of default, revenue is generated primarily through major mining clients , domestic airlines and other large corporations hence the recoverability of receivables can be determined with a high degree of certainty on a forward-looking basis. Refer to note J1 for more information on the trade receivables policy of the Group.

The Group records trade receivables and loans in the following classifications:

- Neither past due nor impaired trade receivables and loans are those that are within their relevant contractual payment terms and thus have no expected credit loss due to the reasons above.
- Past due but not impaired trade receivables and loans are those that have fallen outside of their contractual settlement terms. However there remains an expectation of full recovery, with no change in credit risk based on the financial position of the client or counterparty and as such there is no expected credit loss.
- Past due and impaired trade receivables and loans are those that have fallen outside of the prescribed settlement terms and/or there is evidence to suggest that the client or counterparty will fail to meet their obligations and thus would result in an expected credit loss. This is $nil as at 30 June 2023 (2022 - $nil).

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 (2022 – nil). Due to the dynamic nature of the underlying businesses, the Directors maintain flexibility in funding by maintaining availability under committed credit lines.

F. FINANCIAL INSTRUMENTS (CONTINUED)

F1 - FINANCIAL RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT

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

MATURITIES OF FINANCIAL LIABILITIES

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

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

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

LIQUIDITY RISK

Carrying Contractual Maturities of Financial Liabilities	Less than 6 Months	6-12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Amount (assets) /Liabilities
As at 30 June 2023	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	56,595	-	-	-	-	56,595	56,595
Borrowings	9,252	9,128	71,957	38,750	148,004	277,091	235,283
Lease liabilities	1,100	1,106	2,255	7,378	21,663	33,502	28,082
Total Non-Derivatives	**66,947**	**10,234**	**74,212**	**46,128**	**169,667**	**367,188**	**319,960**

Carrying Contractual Maturities of Financial Liabilities	Less than 6 Months	6-12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Amount (assets) /Liabilities
As at 30 June 2022	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	56,240	-	-	-	-	56,240	56,240
Borrowings	6,718	6,613	15,237	98,281	104,371	231,220	190,079
Lease liabilities	1,343	1,227	2,468	8,428	23,883	37,349	29,425
Total Non-Derivatives	**64,301**	**7,840**	**17,705**	**106,709**	**128,254**	**324,809**	**275,744**

PRICE RISK

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

F2 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Judgements and estimates are made in determining the fair values of assets and liabilities that are recognised and measured at fair value in the financial statements.

DISCLOSED FAIR VALUES

RECEIVABLES

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

TRADE AND OTHER PAYABLES

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

BORROWINGS

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

G. EQUITY

G1 - CONTRIBUTED EQUITY

	2023		2022	
	No. of shares	**$'000**	No. of shares	$'000
a) Share Capital				
Ordinary shares - fully paid	**160,734,697**	**288,206**	160,734,697	288,206
Total Contributed Equity	**160,734,697**	**288,206**	160,734,697	288,206
b) Movement in Ordinary Share Capital Issued and Fully Paid Ordinary Shares:				
At the beginning of the financial period	**160,734,697**	**288,206**	160,489,134	287,426
Performance incentive shares vested and exercised	-	-	149,005	381
Staff share plan	-	-	96,558	399
Balance at the End of the Financial Year	**160,734,697**	**288,206**	160,734,697	288,206

ORDINARY SHARES

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

DIVIDEND REINVESTMENT PLAN

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

G1 - CONTRIBUTED EQUITY (CONTINUED)

ACCOUNTING POLICY

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

G2- RESERVES

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

	2023	2022
	$'000	$'000
Reserves		
Reorganisation reserve	**(111,082)**	(111,082)
Share-Based Payment Reserve	**433**	433
Foreign currency translation reserve	**7**	157
	(110,642)	(110,492)
Movements:		
Reorganisation Reserve		
Opening balance - 1 July	**(111,082)**	(111,082)
Closing balance - 30 June	**(111,082)**	(111,082)
Share-based payments		
Balance - 1 July	**433**	767
Vested	**-**	(334)
Release of reserve	**-**	-
Balance – 30 June	**433**	433
Foreign currency translation reserve		
Balance - 1 July	**157**	77
Current year movement	**(150)**	80
Balance - 30 June	**7**	157

NATURE AND PURPOSE OF OTHER RESERVES

REORGANISATION RESERVE

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

SHARE BASED PAYMENT RESERVE

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

G. EQUITY (CONTINUED)

G2- RESERVES (CONTINUED)

FOREIGN CURRENCY TRANSLATION RESERVE

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

G3 - EARNINGS PER SHARE

	30 June 2023	30 June 2022
Basic Earnings Per Share		
Total basic earnings per share attributable to the ordinary equity holders of the company. (cents)	**22.68**	(3.24)
Diluted Earnings Per Share		
Total diluted earnings per share attributable to the ordinary equity holders of the company. (cents)	**22.68**	(3.24)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations.		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share. ($'000)	**36,462**	(5,207)
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	**160,734,697**	160,679,797
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**160,777,822**	160,703,993

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

PERFORMANCE RIGHTS

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

ACCOUNTING POLICY

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

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

DILUTED EARNINGS PER SHARE

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

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

H - KEY MANAGEMENT PERSONNEL

H1 – KEY MANAGEMENT PERSONNEL DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

	2023	2022
	$	$
Short-term employee benefits	**1,779,256**	2,611,060
Post-employment benefits	**149,130**	152,020
Long-term benefits	**506,964**	43,063
Share based payments	**-**	6,610
	2,435,350	2,812,753

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

H2 - SHARE BASED PAYMENTS

PERFORMANCE INCENTIVE PLAN

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

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

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

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

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

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

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

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

Performance rights will lapse on the first to occur of:

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

H2 - SHARE BASED PAYMENTS (CONTINUED)

PERFORMANCE INCENTIVE PLAN (CONTINUED)

The details of the Performance Rights granted are shown below:

Employee Category	Number of performance rights granted (target and stretch targets)
Executive Directors^	41,920
Other Key Management Personnel	44,847
Senior Management	210,161
Rights granted during the period	**296,928**

^ The grant of the maximum amount of performance rights available to the Managing Director and Executive Director were approved by the shareholders at the Annual General Meeting held on 11 October 2022.

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

	2023 '000	2022 '000
Rights at the start of the period	-	**149**
Granted during the year	**297**	**291**
Vested and exercised	-	**(149)**
Forfeited / Cancelled	**(297)**	**(291)**
Rights at the end of the period	-	-

The performance rights granted as the equity portion of the employee incentive plan are assessed against a scorecard of key performance indicators set by the Board Nomination and Remuneration committee. This assessment occurs once the financial statements for the performance period (FY2023) have been audited and signed off by the Board.

As at the date of signing this report, nil rights will become performance qualified due to the failure to meet two out of the three key performance indicators which the targets are assessed on.

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

	2023 $'000	2022 $'000
Performance rights – Long Term Incentive Plan	-	47
	-	47

ACCOUNTING POLICY

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

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

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

I. RELATED PARTY TRANSACTIONS

I1 - PARENT ENTITIES

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

I2 - KEY MANAGEMENT PERSONNEL

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

I3 - SUBSIDIARIES

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

I4 - TRANSACTIONS WITH RELATED PARTIES

Where transactions are entered into with KMP, these are approved by the Board. Board members who have an interest in the matter either directly or via a related party do not participate in the Board approval process. No new arrangements have been entered into during FY2023.

A Director, Mr Steve Padgett, is a Director and Shareholder of Eternitie Pty Ltd and Flight Options (Australia) Pty Ltd. The Group had a contract with Eternitie Pty Ltd for the lease of office space in Sydney which has now been transferred to Flight Options (Australia) Pty Ltd. This lease is based on normal commercial terms and conditions.

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

The following transactions occurred with related parties:

	2023 **$'000**	2022 $'000
Lease of Sydney Office	**(47)**	(45)
Sponsorship of Aviation function	**(17)**	-
Training and associated expenses	**(8)**	-
Engineering and Maintenance services - VH - VIF	**143**	319
Total Cash Inflows / (Outflows)	**71**	274

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

	2023 **$'000**	2022 $'000
Trade receivables		
VIF Aircraft Pty Ltd	**143**	59
Total Key Management Trade Receivables	**143**	59
Trade payables		
Flight Options (Australia) Pty Ltd	**(4)**	-
Total Key Management Trade Payables	**(4)**	-
Net Balance Owed from/(Owing to) Key Management Personnel	**139**	59

J. OTHER ITEMS

J1 - TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
Current assets		
Trade receivables	**71,672**	50,566
Other receivables	**3,589**	2,954
Prepayments and other assets	**3,839**	3,617
Total receivables	**79,100**	57,137

Carrying Contractual Maturities of Financial Assets As at 30 June 2023	Less than 6 Months $'000	6-12 Months $'000	Between 1 & 2 Years $'000	Between 2 & 5 Years $'000	Over 5 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
Trade receivables	71,276	394	1	-	-	71,672	71,672
Total	**71,276**	**394**	**1**	**-**	**-**	**71,672**	**71,672**

Carrying Contractual Maturities of Financial Assets As at 30 June 2022	Less than 6 Months $'000	6-12 Months $'000	Between 1 & 2 Years $'000	Between 2 & 5 Years $'000	Over 5 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
Trade receivables	50,566	-	-	-	-	50,566	50,566
Total	**50,566**	**-**	**-**	**-**	**-**	**50,566**	**50,566**

PAST DUE BUT NOT IMPAIRED

As at 30 June 2023, trade receivables of $10,815k (2022: $3,436k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and as a result no adjustment has been made relating to AASB9.

OTHER RECEIVABLES

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

ACCOUNTING POLICY

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

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

On that basis, the Group has concluded that no loss allowance needs to be recognised for the year ended 30 June 2023.

J. OTHER ITEMS (CONTINUED)

J2 - TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Current liabilities		
Trade payables	**56,595**	56,240
Other payables	**29,083**	20,383
Total Payables	**85,678**	76,623

ACCOUNTING POLICY

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

In accordance with AASB 15 Revenue from Contracts with Customers the Group records a contract liability for funds received from clients in advance of their travel date. The contract liability is valued based on the relevant contract or ticket terms. A review has confirmed that at balance date it is probable that all amounts held will be collected in FY2023 and therefore no adjustment has been made for the time value of money.

Revenue is released from the contract liability account to the Comprehensive statement of profit or loss and other comprehensive income in the month in which the travel takes place. The Contract Liability was $1.1m in FY2023 (2022: $1.0m).

Carrying Contractual Maturities of Financial Assets As at 30 June 2023	Less than 6 Months $'000	6-12 Months $'000	Between 1 & 2 Years $'000	Between 2 & 5 Years $'000	Over 5 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
Trade Payables	56,595	-	-	-	-	56,595	56,595
Total	**56,595**	**-**	**-**	**-**	**-**	**56,595**	**56,595**

Carrying Contractual Maturities of Financial Assets As at 30 June 2022	Less than 6 Months $'000	6-12 Months $'000	Between 1 & 2 Years $'000	Between 2 & 5 Years $'000	Over 5 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
Trade Payables	56,240	-	-	-	-	56,240	56,240
Total	**56,240**	**-**	**-**	**-**	**-**	**56,240**	**56,240**

J3 - PROVISIONS

	2023 $'000	2022 $'000
Employee benefits - Annual Leave	**14,018**	9,818
Employee benefits - Long Service Leave	**5,475**	5,339
Total Current Provisions	**19,493**	**15,157**
Employee benefits - Long Service Leave	**1,663**	1,280
Total Non-Current Provisions	**1,663**	1,280
Total Provisions	**21,156**	16,437

AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN THE NEXT 12 MONTHS

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

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

J3 – PROVISIONS (CONTINUED)

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

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

ACCOUNTING POLICY

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

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

J4 - CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

The Group has on issue six bank guarantees relating to existing leases totalling $0.62 million (2022: $0.62 million).

CAPITAL COMMITMENTS

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

The agreement expires in December 2024 although has an option to extend to December 2026. An amount of $5.9 million is recorded against Trade & Other Payables on the Consolidated Balance Sheet as at 30 June 2023 (FY22: $3.4 million).

The Group entered into a sale and purchase agreement for an additional 30 Embraer E190 jet aircraft from AerCap Ireland Limited with a deposit of $12.3 million paid in February 2023.

The final purchase price for each aircraft will be adjusted for the maintenance status of the airframe and the two fitted engines in the week preceding each delivery. Accordingly, there is a significant degree of variation in the unit cost and a totally firm fleet price is unable to be given at this time however, the final purchase price is estimated to be between $250 million to $300 million The aircraft will be purchased one at a time over a two and a half year period.

J. OTHER ITEMS (CONTINUED)

J5 - REMUNERATION OF AUDITORS

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

	2023 $	2022 $
PricewaterhouseCoopers		
Audit and other Assurance Services		
Audit and review of financial statements	**328,742**	280,600
Total Remuneration for Audit and other Assurance Services	**328,742**	280,600
Taxation Services	**44,500**	25,000
Other Non-Assurance Services	**41,638**	462,310
Total Remuneration for Taxation and Non-Assurance Services	**86,138**	487,310
Total Auditor's Remuneration	**414,880**	767,910

From 1 July 2023 the Board has implemented a policy "Non-audit services provided by the independent external auditor". This policy implements further process and control relating to the engagement the external auditor for non-audit services and delegates appropriate levels of authority to the Chief Executive Officer and other Management. The Group employs 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.

J6 - PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts for the reporting period ended 30 June 2023.

	2023 $'000	2022 $'000
Balance Sheet		
Current Assets	**16**	**17**
Non-current assets	**333,818**	**286,386**
Total Assets	**333,834**	**286,403**
Current Liabilities	**218**	1,370
Non-current liabilities	**222,888**	**158,349**
Total Liabilities	**223,106**	**159,719**
Net Assets	**110,728**	**126,684**
EQUITY		
Issued Capital	**287,024**	**287,024**
Reserves	**(111,256)**	**(111,256)**
Share-based payments	**332**	**332**
Retained earnings	**(65,372)**	**(49,416)**
Total Equity	**110,728**	**126,684**
Profit or (Loss) for the Year	**(15,956)**	**2,446**

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.

J. OTHER ITEMS (CONTINUED)

J6 - PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

TAX CONSOLIDATION LEGISLATION

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

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

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

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

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

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

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

J7 - SUBSIDIARIES

SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

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

Name of Entity	Country of Incorporation	Class of Shares	2023	2022
Alliance Airlines Pty Limited⁼	Australia	Ordinary	100%	100%
Alliance Leasing No.1 Pty Ltd⁼	Australia	Ordinary	100%	100%
Alliance Leasing No.2 Pty Ltd⁼	Australia	Ordinary	100%	100%
Alliance Leasing No.3 Pty Ltd⁼	Australia	Ordinary	100%	100%
Jet Engine Leasing Pty Ltd⁼	Australia	Ordinary	100%	100%
Avoco Pty Ltd #	Australia	Ordinary	-	100%
Bravo Airlines Pty Limited⁼	Australia	Ordinary	100%	100%
Unity Aviation Maintenance Pty Ltd ⁼	Australia	Ordinary	100%	100%
Rockhampton Aviation Maintenance Pty Limited=	Australia	Ordinary	100%	100%
Alliance Aviation Slovakia s.r.o.	Slovakia	Ordinary	100%	100%

#Avoco Pty Ltd was deregistered on 3rd April 2023.
Alliance Aviation Services Limited incorporated Rockhampton Aviation Maintenance Pty Ltd on 17th May 2023.
⁼Parties to a Deed of Cross Guarantee (Amended and Restated), dated 2 June 2023 with Alliance Aviation Services Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. These companies are relieved from the requirement to prepare financial statements. There are no material differences between the closed group and the consolidated group which includes Alliance Aviation Slovakia s.r.o. as this entity is not part of the Deed of Cross Guarantee.

J. OTHER ITEMS (CONTINUED)

J8 - EVENTS OCCURING AFTER THE REPORTING PERIOD

The Group is not aware of any matters or circumstances that have arisen since the end of the financial year which have significantly or may significantly affect the operations and results of the Group.

K - BASIS OF PREPARATION

K1 - COMPLIANCE

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

COMPLIANCE WITH IFRS

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

HISTORICAL COST CONVENTION

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

K2 - PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

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

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

K3 - SEGMENT REPORTING

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

The Board of Directors have determined the operating segment based on the reports reviewed and considers the business has one segment, being the provision of aircraft charter services and aviation services CGU for the reporting period ended 30 June 2023.

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

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

K - BASIS OF PREPARATION (CONTINUED)

K4 - FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

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

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

K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

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

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

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

CARRYING VALUE OF AIRCRAFT

AIRCRAFT USEFUL LIFE AND DEPRECIATION

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

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

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

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

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

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

The Directors assess the most appropriate depreciation method for each of the individual assets identified in component groups (i), (ii) and (iii). The balance of other assets in components group (iv) has been pooled. Refer to note D2 for details of current depreciation method and rates used. Refer to K6 for Impairment of assets.

K - BASIS OF PREPARATION (CONTINUED)

K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS (CONTINUED)

CAPITALISATION OF OVERHEAD RELATING TO HEAVY MAINTENANCE

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

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

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

TRANSFERS OF PROPERTY, PLANT AND EQUIPMENT TO/FROM INVENTORY

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

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

Management assessment of these market conditions includes:

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

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

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

K6 - IMPAIRMENT OF ASSETS

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The Directors have determined that the group has one CGU, being the aircraft charter & aviation services CGU.

Non-financial assets that incurred impairment in the past are reviewed for possible reversal of the impairment at the end of each reporting period.

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

K - BASIS OF PREPARATION (CONTINUED)

K7 - 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 Consolidated 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.

K8 - ROUNDING OF AMOUNTS

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

L - CHANGES IN ACCOUNTING POLICIES

L1 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they are likely to be immaterial to the group in future reporting periods and on foreseeable future transactions.

DIRECTORS DECLARATION

In the Directors' opinion:

(a) The financial statements and notes set out on pages 28 to 61 are in accordance with the *Corporations Act 2001,* including:

i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

ii giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note J7 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note J7.

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

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

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

S Padgett, OAM

Chairman

Date: 9 August 2023

Sydney

Independent auditor's report

To the members of Alliance Aviation Services Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

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

Materiality	Audit scope	Key audit matters
• Based on the financial results of Alliance for the year ended 30 June 2023, we used overall Group materiality of $2.6 million, which represents approximately 5% of the Group's profit before income tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose 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.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Carrying value of Property, Plant and Equipment – Carrying value of Inventory • These are further described in the *Key audit matters* section of our report.

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 Inventory *(Refer to note D1 and K5) $89.6 million* Inventory consists of spare aircraft and engine parts (rotable parts), spare engines, components, consumables and whole aircraft where the intent of acquisition was to hold as inventory for sale or breakdown for spare parts. Throughout the year the Group makes judgements and estimates as to the carrying value allocated to rotable parts which are transferred from property, plant and equipment (PPE) to inventory and measured at the lower of cost and net realisable value. The carrying value of inventory was a key audit matter due to the significance of the aircraft and engines inventory balance on the consolidated balance sheet and the judgements involved in determining the carrying value. The useful life assumptions are reviewed on an annual basis, giving consideration to variables, including historical and forecast usage rates, technological advancements and changes in legal and economic conditions. The Group also reviews annually whether the triggers indicating a risk of impairment exist. The carrying value of property, plant and equipment was a key audit matter due to the significance of the aircraft assets balance on the consolidated balance sheet and the judgement exercised in assessing the carrying value.	We have performed the following procedures over inventory; • Attended a sample of stock counts and performed independent on site count procedures at several locations by targeting high value items such as engines, and physically inspected a sample of inventory items to verify the existence of the sampled assets in the inventory listing. • Obtained third party confirmations to verify the existence of inventory assets in the custody of the third parties. • Agreed a sample of aircraft and engine asset additions to third party invoices and contracts. • For transfers of PPE to inventory, we compared the carrying amount of inventory at the time of transfer to the lower of cost or net realisable value. • Assessed the appropriateness of data and assumptions underlying the net realisable value (core value). • Evaluated the adequacy of the disclosures made in Notes D1 and K5 in the financial report, in light of the requirements of the Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of Property, Plant and Equipment *(Refer to Note D2, K5 and K6) $563.4 million* Aircraft assets represent a significant portion of property, plant and equipment as well as total assets of the Group. Additions to plant and equipment for the year ended 30 June 2023 includes 12 E190 aircraft that were added to the Groups air operators' certificate, all aircraft heavy maintenance and the addition of any major and significant components. The Group performs heavy maintenance checks on a number of existing fleet units each financial year. These checks result in an increase in the useful life of the asset. The Group capitalises labour and part costs for these checks to the aircraft asset. The useful life assumptions are reviewed on an annual basis, giving consideration to variables, including historical and forecast usage rates, technological advancements and changes in legal and economic conditions. The Group also reviews annually whether the triggers indicating a risk of impairment exist. The carrying value of property, plant and equipment was a key audit matter due to the significance of the aircraft assets balance on the consolidated balance sheet and the judgement exercised in assessing the carrying value.	Our audit procedures included the following: ● Assessed the reasonableness of total costs of internal labour and overhead applicable to heavy maintenance by considering the nature of the direct costs identified to consider their eligibility to be capitalised. ● Assessed the reasonableness of the proportion of total labour hours allocated to direct heavy maintenance by agreeing a sample of labour hours and costs to approved timesheets, detailed pay run reports or third-party invoices. ● Tested a sample of aircraft asset additions to third party invoices and contracts. ● Tested a sample of disposals to third party invoices, contracts and bank statements and agreed the profit/(loss) on sale to the Statement of profit and loss. ● Tested, on a sample basis, whether the useful lives and depreciation methods applied to aircraft assets are appropriate and consistent with the Group's accounting policy. ● Recalculated, for a sample of assets, the depreciation charges by using the depreciation method and useful lives. ● Evaluated the Group's consideration of impairment indicators, including consideration of selected external and internal source of information. ● Evaluated the adequacy of the disclosure made in Note D2, K5 and K6 of the financial report, in light of the requirements of the Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor’s responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 12 to 20 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Alliance Aviation Services Limited for the year ended 30 June 2023 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

Tim Allman | Brisbane
Partner | 9 August 2023

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 June 2023 unless stated otherwise.

DISTRIBUTION OF EQUITY SECURITIES

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

Holding by size	Ordinary shares			
	Shares		Rights	
	No. of holders	% Of shares on issue	No. of holders	% Of rights on issue
1 – 1,000	1,827	47.34	-	-
1,001 – 5,000	1,193	30.91	-	-
5,001 – 10,000	348	9.02	-	-
10,001- 100,000	436	11.30	-	-
100,000 and over	55	1.43	-	-
Total	**3,859**	**100.00**	**-**	**-**

There were 425 holders of less than a marketable parcel of ordinary share.

EQUITY SECURITY HOLDERS

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

Equity Holder	Ordinary Shares	
	Number Held	% Issued Shares
Qantas Airways Limited	31,705,969	19.73
Citicorp Nominees Pty Limited	18,626,691	11.59
Bond Street Custodians Limited (CAJ – D64993 A/C)	14,900,000	9.27
J P Morgan Nominees Australia Pty Limited	9,422,972	5.86
National Nominees Limited	9,327,052	5.80
KIOWA Two Thousand Corporate Trustee Company Limited	9,277,665	5.77
HSBC Custody Nominees (Australia) Limited	7,982,350	4.97
Mr Hugh Jones & Mrs Pixie Jones & Mr Raymond Clarke (2000 A/C)	6,262,997	3.90
Airline Investments Australia Pty Limited (Finehold & Pastoral Unit)	6,203,269	3.86
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	5,899,403	3.67
Bond Street Custodians Limited (CAJ-V02075 A/C)	3,583,842	2.23
KIOWA Two Thousand Corporate Trustee Company Limited (2000 A/C)	2,193,897	1.36
Bond Street Custodians Limited (CAJ – D09461 A/C)	1,850,000	1.15
HSBC Custody Nominees (Australia) Limited (NT- COMNWLTH SUPER CORP A/C)	1,537,753	0.96
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP A/C)	1,526,337	0.95
Bond Street Custodians Limited (CAJ – D68501 A//C)	1,000,010	0.62
Capital Property Corporation Pty Ltd (Carrington A/C)	975,568	0.61
Warbont Nominees Pty Ltd (Unpaid Entrepot A/C)	945,378	0.59
HSBC Custody Nominees (Australia) Limited – A/C 2	862,798	0.54
BNP Paribas Noms Pty Ltd (DRP)	807,789	0.50
Sub Total	**134,891,740**	**83.93**
Balance of register	25,842,957	16.07
Total	**160,734,697**	**100.00**

SUBSTANTIAL HOLDERS

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

Equity Holder	Ordinary Shares Number Held	% Issued Shares
Perennial Value Management Limited	10,279,557	6.40
Qantas Airways Limited	24,812,011	15.44
Remco Properties Pty Ltd	18,653,499	11.61
KIOWA Two Thousand Corporate Trustee Company Limited	15,992,892	9.95
Total	**69,737,959**	43.40

VOTING RIGHTS

FULLY PAID ORDINARY SHARES

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

PERFORMANCE RIGHTS

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

COMPANY DIRECTORY

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA	Street:	81 Pandanus Avenue Brisbane Airport QLD 4009
	Website:	www.allianceairlines.com.au
	Phone:	07 3212 1212
	Fax :	07 3212 1522
	Email :	executive@allianceairlines.com.au
	ACN:	153 361 525
	IATA Code	QQ
DIRECTORS	S Padgett, OAM	Non-Executive Chairman
	S McMillan	Managing Director & CEO
	P Housden	Independent Non-Executive Director
	D Crombie, AM	Independent Non-Executive Director
SECRETARIES	N Clark and M Devine	
SENIOR MANAGEMENT	Chief Financial Officer	M Devine
	Chief Operating Officer	S Tully
SHARE REGISTER	Link Market Services Limited Level 21, 10 Eagle Street Brisbane QLD 4000	
AUDITOR	PricewaterhouseCoopers 480 Queen Street Brisbane QLD 4000	
SOLICITORS	Norton White 66 Hunter Street Sydney NSW 2000 Herbert Smith Freehills 80 Collins Street Melbourne VIC 3000	
FINANCIERS	Australia and New Zealand Banking Group Limited 111 Eagle Street Brisbane QLD 4000 Pricoa Private Capital 126 Phillip Street Sydney NSW 2000 *Fiduciary Services* Australia and New Zealand Banking Group Limited	
STOCK EXCHANGE	Australian Securities Exchange Exchange Centre 20 Bridge Street Sydney NSW 2000 ASX Code : AQZ	

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