

9th February 2022

ASX Market Announcements Office
10 Bridge Street
SYDNEY NSW 2000

Via ASX Online

Dear Sir / Madam

Announcement for Release via Market Announcement Platform

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

For further information regarding this Announcement, please contact:

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

By Order of the Board.



Marc Devine
Chief Financial Officer & Company Secretary

Appendix 4D

For the half year ended 31 December 2021

Results for announcement to the market

Revenue and profit after tax	Up / Down	Movement %		December 2020 \$'000
Revenue from ordinary activities (% change up/(down) of revenue from ordinary activities from the previous corresponding period.)	Up	10.6%	to	171,167
Profit/(loss) from ordinary activities after tax attributable to members (% change up/(down) of Profit/(Loss) from ordinary activities after tax attributable to members from the previous corresponding period.)	Down	114.6%	to	(3,411)
Profit/(loss) for the period attributable to members (% change up/(down) of Net Profit/(Loss) for the period attributable to members from the previous corresponding period.)	Down	114.6%	to	(3,411)

Dividends/distributions

In respect of the financial year ended 30 June 2021 and the half year ended 31 December 2021, no dividends per fully paid ordinary share were declared by the Board.

Additional information

Net tangible asset backing	December 2021	December 2020
Net tangible asset backing per ordinary share	1.80	1.93

Audit status

The Group's independent auditor's review report to members for the half year ended 31 December 2021 contains an emphasis of matter paragraph drawing members attention to the contents of Note I of interim financial statements for the half year ended 31 December 2021. This note deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent auditor's review report is included with the accompanying interim financial statements for the half-year ended 31 December 2021.

Additional information and commentary

Further commentary on the financial results is contained in the Interim Financial Report for the half year ended 31 December 2021 and the half year results presentation as released on the Australian Stock Exchange and the Company's website www.allianceairlines.com.au.

For more information contact:

Marc Devine

Chief Financial Officer

Alliance Aviation Services Limited

+61 7 3212 1201



Alliance Aviation Services Limited

ACN 153 361 525 | ABN 96 153 361 525

PO Box 1126, Eagle Farm QLD 4009

T +61 7 3212 1212 | F +61 7 3212 1274

www.allianceairlines.com.au

ALLIANCE AVIATION SERVICES LIMITED
ACN 153 361 525

INTERIM REPORT
For the half year ended 31 December 2021

Alliance Aviation Services Limited

Interim report for the half year ended 31 December 2021

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Alliance Aviation Services Limited

Interim report for the half year ended 31 December 2021

CONTENTS

Director's Report.....	1
Directors	1
Financial Review	1
Summary of Financial Results	1
Revenue	2
Cashflow.....	2
Capital Expenditure.....	3
Summary of Operational Metrics.....	4
Significant Changes in the State of Affairs	4
Rounding of Amounts.....	4
Auditors Independence Declaration.....	5
Consolidated Income Statement	6
Consolidated Balance Sheet	7
Consolidated Statement of Cash Flows.....	8
Consolidated Statement of Changes In Equity.....	9
Notes to the Interim Financial Statements	10
Directors' Declaration.....	17
Independent Auditor's Report to Members	18

Director's Report

for the half year ended 31 December 2021

DIRECTOR'S REPORT

Your Directors are pleased to present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Alliance Aviation Services Limited (the "Company") or ("Alliance") and the entities it controlled at the end of, or during, the half year ended 31 December 2021.

DIRECTORS

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

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

FINANCIAL REVIEW

The Group has continued to invest heavily in preparing for its next phase of growth which includes the full deployment of the recently acquired E190 fleet. The deployment of this fleet will be a material step change for the Group from both an operational and financial perspective. As a result of this continued investment in both capital and operating expenditure, the Group has reported a statutory loss before tax adjustments of \$4.5 million, a decrease of \$38.1 million when compared to the prior comparative period (2020: \$33.6 million). The Group's underlying financial result is a profit before tax of \$20.7 million.

During the reporting period:

- Alliance paid for the final six out of 32 E190 aircraft;
- 8 E190's joined the operating fleet in the period with two being dry leased;
- Costs associated with the E190 program being for 78 pilots, 77 cabin crew, 36 engineers, 25 corporate staff and miscellaneous E190 related costs were expensed;
- Qantas has exercised 10 out of the total of 18 E190 options (5 of the 10 were operating services at the reporting date);
- \$45.5 million has been paid on entry into service maintenance checks and associated costs for eight E190 aircraft as part of the Embraer program; and
- Construction commenced on Alliance's Rockhampton Hangar project in December 2021.

SUMMARY OF FINANCIAL RESULTS

Key financial metrics in respect of the half year ended 31 December 2021 are included in the table below with the prior financial period included to facilitate a direct comparison between years.

Item	31 Dec 2021 \$m	31 Dec 2020 \$m	Change \$m
Total Revenue	170.1	153.3	16.8
Earnings before Interest, Tax, Depreciation and Amortisation	21.4	52.9	(31.5)
Profit Before Tax	(4.5)	33.6	(38.1)
Income Tax Expense	1.1	(10.2)	11.3
Net Profit After Tax	(3.4)	23.4	(26.8)
Earnings Per Share – cents	(2.1)	14.6	(16.7)
Total Dividends Paid / payable in relation to the financial period – cents	-	-	-
Net Assets	317.4	320.2	(2.8)
Net Operating Cash Flow	26.9	47.5	(20.6)

Director's Report

for the half year ended 31 December 2021

The Group employed additional pilots, cabin crew, engineers and overhead staff to support the increased flying under various Wet Lease agreements. COVID-19 related restrictions have resulted in extended delays to the commencement of the flying, the additional costs incurred have been captured and are adjusted to determine the underlying result. The table below shows the underlying net profit after tax for period ending 31 December 2021. For comparative purposes underlying financials for the prior comparative period have been included.

Item	Actual 31 Dec 2021 \$m	Underlying Adjustments \$m	Underlying 31 Dec 2021 \$m	Underlying 31 Dec 2020* \$m
Total Revenue	170.1	-	170.1	153.3
Earnings before Interest, Tax, Depreciation and Amortisation	21.4	19.1	40.5	46.0
Profit Before Tax	(4.5)	25.2	20.7	26.7
Income Tax Expense	1.1	(7.6)	(6.5)	(8.1)
Net Profit After Tax	(3.4)	17.6	14.2	18.6
Net Assets	317.4	17.6	335.0	303.2
Net Operating Cash Flow	26.9	23.6	50.5	49.6

*Underlying items are rebates received of \$6.9m and E190 inventory purchases of \$9.0m.

REVENUE

Revenue from continuing operations increased 10.6% to \$171.2 million for the half year, up on \$154.8 million for the half year to 31 December 2020.

The increase in total revenue in the first half was driven by growth in contract and wet lease revenues of 20.8% and 2,383.3% respectively. These increases more than offset Charter and RPT revenues decreasing by 63.8% and 33.2% when compared to the prior comparative period.

- Contract revenue benefited from the full half year activity from clients acquired at various points in the 2021 financial year. Existing contract client activity continues to be stable throughout the first half of FY2022;
- Wet lease revenue increased during the half by \$14.3 million (2020: \$0.6 million) however was lower than forecast due to the lower utilisation on contracted wet lease routes as a result of COVID-19;
- Charter revenue reduced to \$10.6 million in the half as a result of the transfer of clients to contract revenue. Ad-hoc charter also reduced in the half-year as border restrictions eased and scheduled services resumed;
- Regular passenger transport (RPT) revenue declined 33% to \$11.0 million in the first half of FY2022. This decrease is an outcome of the Group's strategy to continue to reduce its RPT footprint to only those services that are underwritten; and
- Aviation services revenue grew in the half to \$5.8 million (2020: \$2 million) due to increased inventory sales transactions.

CASHFLOW

Statutory operating cash flow for the half year was \$26.9 million, a decrease of \$20.6 million from the prior year comparative (\$47.5 million). The following are factors that affected the operating cash flow in the first half:

- Acquisition of inventory packages for the Embraer fleet of \$3.3 million; and
- The funding of the E190 fleet expansion operational expenditure including the recruitment, training, regulatory compliance and associated labour costs of \$20.3 million.

Director's Report

for the half year ended 31 December 2021

Cash outflows related to investing activities in the half year were \$60.3 million, a decrease of \$41.1 million on the prior year comparative. During the half year \$45.5 million was incurred in relation to the Embraer program and associated costs. These aircraft will be inducted into the fleet throughout the remainder of FY22 and the first half of FY23.

The Group increased its debt by \$11.4 million in the half year as facilities were drawn upon to satisfy E190 aircraft settlements.

CAPITAL EXPENDITURE

Capital expenditure for the period was \$69.6 million (2020: \$103.2 million).

Capital expenditure on pre-existing fleet and services was \$18.6 million. Growth capital expenditure incurred during the half-year was \$51.0 million which included E190 introduction costs and the expenditure related to the Rockhampton Hangar Project. A summary of the capital expenditure is shown below.

Item	1H FY 2022 Actual - \$m	1H FY 2021 Actual - \$m
Existing Fleet Maintenance		
Cash outflows		
Base maintenance providers	4.6	2.0
Engine care program	7.8	10.2
Other miscellaneous	1.0	1.0
Operating costs capitalised	1.3	0.9
Total cash outflows	14.7	14.1
Non-cash		
Parts from inventory used in base maintenance	3.9	0.5
Total existing fleet maintenance	18.6	14.6
Growth capital expenditure		
Cash outflows		
Entry into service maintenance providers	-	0.7
Embraer program	45.5	87.4
Rockhampton project	1.4	-
Operating costs capitalised	1.5	0.4
Total cash outflow	48.4	88.5
Non-cash		
Parts from inventory used in base maintenance	2.6	0.1
Total growth fleet maintenance	51.0	88.6
Total capital expenditure	69.6	103.2

Director's Report

for the half year ended 31 December 2021

SUMMARY OF OPERATIONAL METRICS

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

Item	31 Dec 2021	31 Dec 2020	Change
Aircraft in Service	56*	43	30%
Contract Flight Hours	13,892	13,106	6%
Wet Lease Flight Hours	4,517	149	2,932%
RPT Flight Hours	1,249	2,567	(51%)
Charter Flight Hours	871	3,065	(72%)
Other (Includes maintenance)	314	180	74%
Total Flight Hours	20,843	19,067	9%
*This number does not include two E190's on dry lease.			
On Time Performance	97%	96%	1%
Closing Staff Numbers	804	590	36%
Contract Revenue % of Total Revenue	75%	68%	10%

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than disclosed elsewhere in this report, there were no significant changes in the state of affairs of the Group during the half year ended 31 December 2021.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING OF AMOUNTS

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

This report is made in accordance with a resolution of the Directors of Alliance Airlines Services Limited.



S Padgett, OAM

Chairman

Brisbane

9 February 2022

Auditors Independence Declaration



Auditor's Independence Declaration

As lead auditor for the review of Alliance Aviation Services Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Tim Allman', written over a horizontal line.

Tim Allman
Partner
PricewaterhouseCoopers

Brisbane
9 February 2022

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T : +61 7 3257 5000, F: +61 7 3257 5999
Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Revenue and Income			
Revenue from continuing operations	A1	171,167	154,796
Net foreign exchange gains / (losses)		(1,072)	(1,585)
Other income		12	128
Total Revenue and Income		170,107	153,339
Expenses			
Direct flight costs		(61,800)	(42,240)
Parts and inventory costs		(16,670)	(12,017)
Labour and staff related costs		(62,684)	(41,465)
Repairs and maintenance costs		(732)	(441)
Accommodation and utility costs		(1,078)	(935)
IT and communications costs		(1,924)	(1,405)
Other administrative costs		(3,848)	(1,957)
Finance costs		(3,388)	(992)
Depreciation and amortisation		(22,477)	(18,261)
Total Expenses		(174,601)	(119,713)
Profit/(Loss) before income tax for the period		(4,494)	33,626
Income tax benefit/(expense)		1,083	(10,214)
Profit/(Loss) for the period		(3,411)	23,412
Other Comprehensive Income			
Items that may be reclassified to profit and loss			
Other comprehensive income for the half year, net of tax			-
Total comprehensive income for the half year		(3,411)	23,412
Total comprehensive income for the period is attributable to:			
Owners of Alliance Aviation Services Limited		(3,411)	23,412

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

	31 December 2021 Cents	31 December 2020 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	(2.10)	14.61
Diluted earnings per share	(2.10)	14.57

Consolidated Balance Sheet

For the half year ended 31 December 2021

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
Assets			
Current Assets			
Cash and cash equivalents	B1	12,995	36,222
Receivables		51,105	50,941
Inventories	D1	86,381	86,466
Total Current Assets		150,481	173,629
Non-Current Assets			
Property, plant & equipment	D2	455,165	406,729
Intangibles	D3	327	383
Right of use assets	D4	27,020	27,989
Total Non-Current Assets		482,512	435,101
Total Assets		632,993	608,730
Liabilities			
Current Liabilities			
Trade and other payables		61,483	44,224
Borrowings	B2	167,661	4,752
Current tax liabilities	E1	2,079	3,527
Lease liabilities	D4	2,150	2,201
Provisions		13,388	11,841
Total Current Liabilities		246,761	66,545
Non-Current Liabilities			
Borrowings	B2	-	151,535
Provisions		1,424	1,303
Deferred tax liability		40,977	42,181
Lease liabilities	D4	26,419	26,928
Total Non-Current Liabilities		68,820	221,947
Total Liabilities		315,581	288,492
Net Assets		317,412	320,238
Equity			
Contributed equity	F1	288,206	287,426
Reserves		(110,433)	(110,238)
Retained earnings		139,639	143,050
Total Equity		317,412	320,238

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

	31 December 2021 \$'000	31 December 2020 \$'000
Cash flow from operating activities		
Receipts from customers	205,632	170,866
Payments to suppliers	(175,687)	(122,779)
Interest received	22	143
Interest paid	(3,024)	(720)
Income taxes paid	-	(1)
Net cash inflow / (outflow) from operating activities	26,943	47,509
Cash flows from investing activities		
Payments for property, plant, and equipment	(60,326)	(101,377)
Net cash inflow / (outflow) from investing activities	(60,326)	(101,377)
Cash flows from financing activities		
Proceeds from borrowings	13,500	-
Proceeds from share issues	-	3,438
Principal elements of lease payments	(1,218)	(851)
Repayment of borrowings	(2,126)	(2,400)
Net cash inflow / (outflow) from financing activities	10,156	187
Net increase (decrease) in cash and cash equivalents	(23,227)	(53,681)
Cash and cash equivalents at the beginning of the half year	36,222	98,788
Effects of currency translation on cash and cash equivalents	-	3
Cash and cash equivalents as at 31 December 2021	12,995	45,110
	B1	

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2021	287,426	(110,238)	143,050	320,238
Comprehensive income				
Profit for the half year	-	-	(3,411)	(3,411)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,411)	(3,411)
Transactions with owners in their capacity as owners				
Dividends paid	-	-	-	-
Dividend reinvestment plan	-	-	-	-
Share placement issue	-	-	-	-
Share-based payment reserve	-	(334)	-	(334)
Employee Share Plan	399	-	-	399
Settlement of performance incentive scheme rights	381	118	-	499
Foreign currency translation reserve	-	21	-	21
	780	(195)	-	585
Closing Balance as at 31 December 2021	288,206	(110,433)	139,639	317,412

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

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

Notes to the Financial Statements

For the half year ended 31 December 2021

A – FINANCIAL OVERVIEW

A1 - REVENUE FROM CONTINUING OPERATIONS

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

The Group's operations and revenue streams are consistent with those described in the Group's Annual Report for the year ended 30 June 2021.

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

	31 December 2021 \$'000	31 December 2020 \$'000
Contract revenue	127,862	105,829
Wet lease revenue	14,900	647
RPT revenue	11,004	16,470
Charter revenue	10,629	29,325
Aviation services revenue	5,842	2,005
Other revenue	930	520
Total revenue from continuing operations	171,167	154,796

B – CASH MANAGEMENT

B1 - CASH AND CASH EQUIVALENTS

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

	31 December 2021 \$'000	30 June 2021 \$'000
Cash at bank and on hand	12,995	36,222
Total Cash and Cash Equivalents	12,995	36,222

Notes to the Financial Statements

For the half year ended 31 December 2021

B – CASH MANAGEMENT (CONTINUED)

B2 - BORROWINGS

The Group's borrowing facilities have increased in the half year ended 31 December 2021 to \$167.7m (FY 21: \$156.3m). The type of borrowing facilities available and utilised as at 31 December 2021 is shown below:

FACILITIES

	Financier Limit		Current Available	Utilisation
	ANZ	PRICOA		
	\$'000	\$'000	\$'000	\$'000
Term loan facility I	23,161	-	-	23,161
Term loan facility II	44,500	-	-	44,500
Working capital multi option facility	4,000	-	3,962	38
Bank Guarantee facility	1,000	-	382	618
Senior secured guaranteed notes	-	100,000	-	100,000
Total	72,661	100,000	4,344	168,317

Borrowings are classified as current due to a breach of the December 2021 bank leverage covenant. The full impact of the adoption of AASB16 was not incorporated into the baseline covenant calculation and the use of the statutory EBITDA result and the inclusion of the operating lease commitments resulted in the breach of the leverage ratio.

As per Note I the Group has received waivers from its financiers for December 2021 and are in the process of renegotiating the baseline position to be used in future periods. As a consequence, \$162m of long-term debt has been reclassified on the Balance Sheet to current debt for the interim reporting period. The reclassification is expected to be reversed prior to reporting for the end of FY22.

C – CAPITAL MANAGEMENT

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

C1 - DIVIDENDS

FRANKING CREDITS

	31 December 2021	31 December 2020
	\$'000	\$'000
Franking Credits		
Franking credits available for subsequent reporting based on a tax rate of 30% (2020: 30%)	9,069	7,647

Notes to the Financial Statements

For the half year ended 31 December 2021

D – OTHER ASSETS

D1 - INVENTORY

Inventory consists of spare aircraft and engine parts, spare engines, components, and whole aircraft where the intent of acquisition was to hold as inventory for sale or breakdown for spare parts. The following balances contain inventory for the Fokker and Embraer fleet types.

	31 December 2021 \$'000	30 June 2021 \$'000
Aircraft spares and spare engines		
• Fokker	35,870	36,182
• Embraer	37,943	38,268
Total Aircraft spares and spare engines	73,813	74,450
Consumables	12,568	12,016
Total Inventory	86,381	86,466

AMOUNT RECOGNISED IN PROFIT AND LOSS

Inventory recognised as an expense during the half year ended 31 December 2021 amounted to \$2,336k (\$890k: 2020) and is included in parts and inventories expense.

D2 - PROPERTY, PLANT & EQUIPMENT

Item	Aircraft Assets \$'000	Property, Plant & Equipment \$'000	Total \$'000
As at 30 June 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
Half year ended 31 December 2021			
Opening net book amount	390,300	16,429	406,729
Additions	77,399	2,801	80,200
Transfers	(10,601)	-	(10,601)
Disposals – Cost	-	(83)	(83)
Disposals – Accumulated Depreciation	-	83	83
Depreciation charge for period	(20,099)	(1,064)	(21,163)
Closing net book value	436,999	18,166	455,165
As at 31 December 2021			
Cost	727,404	38,986	766,391
Accumulated depreciation	(290,405)	(20,820)	(311,225)
Net book value	436,999	18,166	455,165

Notes to the Financial Statements

For the half year ended 31 December 2021

D – OTHER ASSETS (CONTINUED)

D2 - PROPERTY, PLANT & EQUIPMENT (CONTINUED)

ADDITIONS AND TRANSFERS

Additions to property, plant & equipment for the period ended 31 December 2021 include any aircraft entered into service, all aircraft heavy maintenance and the addition of major modifications and significant components. Additions also include the Embraer fleet where settlement has occurred on an aircraft-by-aircraft basis. Transfers relate to the removal of rotatable parts from the aircraft which are transferred to inventory.

D3 – INTANGIBLES

Intangibles relate to certifications and internally generated software.

Item	Notes	31 December 2021 \$'000	30 June 2021 \$'000
Opening net book amount		383	494
Additions		-	-
Amortisation charge		(56)	(111)
Closing net book value		327	383

D4 – RIGHT OF USE ASSETS (LEASES)

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

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

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

AMOUNTS RECOGNISED IN THE BALANCE SHEET

The Balance Sheet shows the following amounts in relation to leases:

	31 December 2021 \$'000	30 June 2021 \$'000
Right of use Assets		
Property, Plant & Equipment	27,020	27,989
Total Right of Use Assets	27,020	27,989
Lease Liabilities		
Current	2,150	2,201
Non-Current	26,419	26,928
Total Lease Liabilities	28,569	29,129

Notes to the Financial Statements

For the half year ended 31 December 2021

D – OTHER ASSETS (CONTINUED)

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

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a negotiated lease term not in excess of twelve months.

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

E – INCOME TAX

E1 - INCOME TAX

	31 December 2021 \$'000	31 December 2020 \$'000
Income tax expense		
Current tax expense	-	7,203
Adjustments for current tax of prior periods	25	-
Total income tax expense	25	7,203
Deferred income tax expense included in the income tax expense comprises:		
Decrease / (Increase) in deferred tax assets	(5,676)	771
Increase / (Decrease) in deferred tax liabilities	4,567	2,240
	(1,108)	3,011
Income tax expense from continuing operations	(1,083)	10,214
Effective tax rate	24%	30%
Numerical reconciliation of income tax to prima facie tax payable		
Profit/(loss) before income tax expense	(4,494)	33,626
Tax at the Australian tax rate of 30% (2020: 30%)	(1,348)	10,088
Tax effect of amounts which are not deductible/(taxable) in the calculation of taxable income:		
Sundry	265	126
Income tax expense	(1,083)	10,214

Notes to the Financial Statements

For the half year ended 31 December 2021

F – EQUITY

F1 - CONTRIBUTED EQUITY

	31 December 2021		30 June 2021	
	No. Shares	\$000	No. Shares	\$000
Share Capital				
Ordinary shares – fully paid	160,734,697	288,206	160,489,134	287,426
Total Contributed Equity	160,734,697	288,206	160,489,134	287,426
Movement in ordinary share capital issued and fully paid shares:				
Balance at the beginning of the period	160,489,134	287,426	158,610,102	282,530
Dividend reinvestment plan issues	-	-	-	-
Performance incentive shares vested and exercised	149,005	381	379,641	623
Share purchase plan issues	-	-	1,346,355	3,837
Employee share plan issues	96,558	399	153,036	436
Balance at the end of the period	160,734,697	288,206	160,489,134	287,426

G – RELATED PARTY TRANSACTIONS

G1 - RELATED PARTY TRANSACTIONS

Where transactions are entered into with Key Management Personnel (KMP), these are approved by the Board. Board members who have an interest in the matter either directly or via related party do not participate in the Board approval process. No new arrangements have been entered into since the annual report for year ended 30 June 2021.

H – OTHER ITEMS

H1 – CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

Alliance has on issue six bank guarantees relating to existing leases totalling \$0.62 million (FY21: \$0.62 million)

CAPITAL COMMITMENTS

ROLLS ROYCE TOTAL CARE SERVICES AGREEMENT

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

H2 - EVENTS OCCURRING AFTER BALANCE DATE

The Directors are not aware of any other matters or circumstances not otherwise dealt with in the interim financial report that have significantly affected or may significantly affect the operations of the consolidated Group, the results of those operations or the state of the consolidated Group in the period subsequent to the half year ended 31 December 2021.

Notes to the Financial Statements

For the half year ended 31 December 2021

I – BASIS OF PREPARATION

I1 - COMPLIANCE

This is the interim financial report for Alliance Aviation Services Limited (the “Company”) and its controlled entities (collectively referred to as “Alliance” or “the Group”) for the half year ended 31 December 2021.

The interim financial report has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. The interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act. 2001*.

Going Concern

The Interim Financial Report has been prepared on a going concern basis, which assumes that the Group will be able to discharge their liabilities, as and when they fall due in the ordinary course of business.

As discussed in note B2 of the Interim Financial Report, the Group was in breach of certain covenants at 31 December 2021. Therefore, at the balance sheet date the Group did not have an unconditional right to defer settlement of the Groups borrowing facilities for at least twelve months after the reporting date and as such borrowings of \$162m are classified as current liabilities at 31 December 2021.

Subsequent to the balance sheet date, both lenders have provided waivers in relation to the breach that occurred on 31 December 2021.

The Group is currently renegotiating its banking covenants after the half-year end to ensure the appropriate ratio levels are put in place that consider the lease liability commitments, any increase in debt as a result of the construction of the Rockhampton Hangar and the current trading conditions Alliance is operating in. Based upon forecast earnings and cash flows the group has forecast that compliance with the revised debt covenants will be achieved for a period of at least 12 months. In addition, the Group is also forecasting that sufficient cash will be held at all times to meet all payment obligations as and when they fall due.

In light of these circumstances, particularly the fact that as at the date of this report the revised covenants have not been agreed to by the lenders, there is a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are confident that the revised debt covenants will be put in place to ensure compliance with the terms of the Groups borrowing facilities as required. Management and the Board will also continue to monitor risks relating to the current operating environment and ensure that risk mitigation strategies are in place should the COVID-19 environment continue to challenge the performance of the business. Therefore, the financial report has been prepared on a going concern basis.

J – CHANGES IN ACCOUNTING POLICIES

J1 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period. A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of these standards.

Directors' Declaration

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the Directors' opinion:

- The financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
 - complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date, and
 - there are reasonable grounds to believe that Alliance Aviation Services Limited will be able to pay its debts as and when they become due and payable.

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



S Padgett, OAM

Chairman

Brisbane

Date: 9 February 2022

Independent Auditor's Report to Members



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Alliance Aviation Services Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T : +61 7 3257 5000, F: +61 7 3257 5999
Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report to Members



Material uncertainty relating to going concern

We draw attention to Note I in the financial report, which indicates that the Group was in breach of certain covenants at 31 December 2021 and therefore did not have an unconditional right to defer settlement of the Group's borrowing facilities for at least twelve months after the reporting date and as such borrowings of \$162m are classified as current liabilities as at 31 December 2021. Subsequent to the balance sheet date, both lenders have provided waivers in relation to the breaches that occurred on 31 December 2021.

The Group's ability to continue as a going concern is dependent on the Group successfully renegotiating its banking covenants to ensure a continued appropriate level of funding from its lenders for at least the next twelve months from the date of this report. These conditions, along with other matters as set forth in Note I, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in this respect.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

PricewaterhouseCoopers

Tim Allman
Partner
PricewaterhouseCoopers

Brisbane
9 February 2022