Alliance Aviation Services Limited
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Alliance Aviation Services Limited
ABN 96 153 361 525
ASX code: AQZ

7th February 2024

Appendix 4D
For the half year ended 31 December 2023
Results for announcement to the market

Revenue and profit after tax Comparison to previous period	***Increase / Decrease***	***Change %***		***To $'000***
Revenue from ordinary activities	Increase	27.2%	to	299,364
Profit from ordinary activities after tax attributable to members	Increase	300.7%	to	26,269
Profit for the period attributable to members	Increase	300.7%	to	26,269

Dividends/distributions

There is no interim dividend declared for the half year ending 31 December 2023.

Additional information

Net tangible asset backing

	Dec -23	**Jun- 23**
Net tangible asset backing per ordinary share	2.19	2.02

Audit status

The Group's independent auditor's review report to members for the half year ended 31 December 2023 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 2023. 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 2023.

Additional information and commentary

The statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and the accompanying notes to these statements is contained in the Financial Report for the half year ended 31 December 2023 as released on the Australian Stock Exchange and published on the Company's website www.allianceairlines.com.au.

For more information contact:

Marc Devine
Chief Financial Officer
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ALLIANCE AVIATION SERVICES LIMITED
ACN 153 361 525

INTERIM REPORT
For the half year ended 31 December 2023

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CONTENTS

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 2023.

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, unless otherwise noted:

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

GROUP OVERVIEW

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.

FINANCIAL REVIEW

EBITDA	Statutory PBT	**Statutory NPAT**	**Net Assets**	**Operating Cashflow**
$80.4 m	$37.7m	$26.3m	$376.3m	$12.0m
H1FY23: $42.3m	H1FY23: $9.5m	H1FY23: $6.6m	H1FY23: $349.8m	H1FY23: $23.6m
90% Increase	$28.2m Increase	$19.7m Increase.	8% Increase	$11.6m Decrease

The Group has reported a statutory profit before tax of $37,700k an increase of $28,238k when compared to the prior comparative period. Earnings before interest, tax, depreciation and amortisation increased by $38,153k or 90% to $80,433k and operating cash flows decreased by 49% to $12,029k when compared to the prior comparative period.

REVENUE FROM CONTINUING OPERATIONS

Contract	Wet Lease	RPT	Charter	Other	**TOTAL**
$154.7m	$127.6m	$6.3m	$8.1m	$2.6m	$299.4m
H1FY23: 152.0m	H1FY23: $61.9m	H1FY23: $7.7m	H1FY23: $8.1m	H1FY23: $5.4m	H1FY23: $235.3m
1.7% Increase	105.9% Increase	17.8% Decrease	0.1% Increase	52.0% Decrease	27.2% Increase

Revenue from continuing operations for the half year increased to $299,364k, up 27% on the prior comparative period. This increase was predominately as a result of increased wet lease activity, supported by an increase in contract charter activity.

- Wet Lease revenue generated $127,640k (2023: $61,988k) in the half with increases in both the number of aircraft deployed and aircraft utilisation as more pilots and aircraft became available to service increasing demand.
- Contract revenue increased by $2,597k or 1.7% in the half year as a result of increased flight hours and increases in pricing for recently renewed contracts.

- Charter revenue was stable at $8,140k for the half year as available capacity to operate ad-hoc charter services continues to be limited.
- Regular passenger transport (RPT) revenue declined by a further 17.8% to $6,305k in the first half of FY2024 as Alliance continues to deploy capacity to higher utilisation wet Lease and contract charter services.
- Aviation services revenue and other revenue decreased to $2,629k in the half year (2023: $5,479k) due to a decrease in inventory sales and engineering services activity. Such variation can be expected as aviation services is an opportunistic revenue stream.

CASHFLOW

Statutory operating cash flow for the half year was $12,029k, a decrease of $11,594k from the prior year comparative (FY23: $23,623k). The following are factors that affected the operating cash flow in the first half:

- Growth in the Group's activity as a result of operating additional aircraft and higher utilisation led to a substantial increase in operating cash flow;
- Growth in operating cashflow has been offset by investment in inventory which has continued in the half to ensure that the Group's operating bases are adequately supplied to service the increasing line maintenance requirements; and
- There continues to be investment in pilots and cabin crew in advance of aircraft deployment to ensure the Group can continue to satisfy growing demand. It is forecast that these costs will return to normal levels in FY2025.

Cash outflows related to investing activities in the half year were $42,414k, a decrease of $12,561k on the prior half-year comparative. During the half year $3,594k was incurred in relation to the Embraer program and associated costs, and $38,820k on existing fleet maintenance, engine care programs, engine purchases and the Rockhampton facility.

The Group increased its debt by $46,274k in the half year as facilities were drawn upon to satisfy E190 aircraft settlements and entry into service costs for those additional aircraft. The Group also extended the term on its ANZ term loan facilities to January 2025.

CAPITAL EXPENDITURE

Capital expenditure for the period was $81,443k (2023: $77,635k).

Capital expenditure on pre-existing fleet and services was $65,035k. Growth capital expenditure incurred during the half-year was $16,408k which included E190 introduction costs, and the expenditure related to the Rockhampton Maintenance Facility. A summary of the capital expenditure is shown below.

Item	**31 December 2023 Actual $'000**	31 December 2022 Actual $'000
Existing Fleet Capital Expenditure		
Cash outflows		
Base Maintenance	14,705	4,148
Engine care program	13,850	8,252
Other miscellaneous	6,623	895
Operating costs capitalised	2,386	582
Total cash outflows	37,564	13,877
Non-cash		
Parts from inventory used in base maintenance	27,471	17,544
Total existing fleet capital expenditure	65,035	31,421

Directors' Report

for the half year ended 31 December 2023

Growth Capital expenditure		
Cash outflows		
Costs associated with E190 fleet acquisition and entry into service	3,594	29,160
Rockhampton Hangar	3,642	12,521
Operating costs capitalised	914	1,293
Total Cash outflow	8,150	42,974
Non-cash		
Parts from inventory used in base maintenance	8,258	3,240
Total growth fleet maintenance	16,408	46,214
Total capital expenditure	81,443	77,635

KEY FINANCIAL METRICS

Key financial metrics in respect of the half year ended 31 December 2023 are included in the table below with the prior financial period included to facilitate a direct comparison between years.

Item	31 Dec 2023 $'000	31 Dec 2022 $'000	Change $'000
Total Revenue and Other Income	304,522	238,468	66,054
Earnings before Interest, Tax, Depreciation and Amortisation	80,433	42,280	38,153
Profit Before Tax	37,700	9,462	28,238
Income Tax Expense	(11,431)	(2,906)	(8,525)
Net Profit After Tax	26,269	6,556	19,713
Basic Earnings Per Share – cents	16.34	4.08	12.26
Net Assets	376,281	319,946	56,335
Net Operating Cash Flow	12,029	23,623	(11,594)

SUMMARY OF OPERATIONAL METRICS

OPERATING FLEET COMPOSITION

F70	F100	E190	TOTAL
H1FY24: 13	H1FY24: 24	H1FY24: 33	H1FY24: 70
H1FY23: 13	H1FY23: 24	H1FY23: 25	H1FY23: 62

FLIGHT HOURS

Contract	Wet Lease	RPT	Charter	Ferry/Maint.	TOTAL
14,156	35,191	499	666	281	50,793
H1FY23: 13,578	H1FY23: 17,248	H1FY23: 561	H1FY23: 608	H1FY23: 370	H1FY23: 32,365
4.3% Increase	104.0% Increase	11.1% Decrease	9.5% Increase	24.1% Decrease	56.9% Increase

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

Directors' Report
for the half year ended 31 December 2023

% Contract of Total Revenue	Flight Hours	FTE	Revenue per FTE	On Time Performance
51%	50,793	1,333	$225k	96%
H1FY23: 64%	H1FY23: 32,365	H1FY23: 1,052	H1FY23: $224k	H1FY23: 97%
13pp decrease.	56.9% Increase	27% Increase	0.4% Increase	

ADDITIONAL FLEET FINANCING

The Directors continue to consider various financing options relating to the settlement of the remaining 28 Embraer E-190 aircraft between January 2024 and mid 2026.

When considering these options the Directors have considered the existing three month average delay, the intended use being part out, wet or dry lease, contract or ad-hoc charter services or the sale of a number of aircraft to other airlines.

The Group has available to it a wide range of financing options which the Directors will consider to be the most appropriate at the time the financing is required. The quantum of the financing will be ultimately dependent on the maintenance status of the aircraft at the date of delivery.

Based on these considerations the Directors are confident the Group will be successful in securing the necessary funding to cover the capital commitments over the next 2.5 years.

SIGNIFICANT 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 2023.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is on page 6.

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
Sydney
7 February 2024

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 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 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.

Tim Allman
Partner
PricewaterhouseCoopers

Brisbane
7 February 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2023

	Notes	31 December 2023 $'000	31 December 2022 $'000
Revenue and Income			
Revenue from continuing operations	*A1*	**299,364**	235,321
Net foreign exchange (losses)/gains		**132**	(831)
Other income		**5,026**	3,978
Total Revenue and Income		**304,522**	238,468
Expenses			
Direct flight costs		**(74,403)**	(80,842)
Parts and inventory costs		**(23,354)**	(17,900)
Labour and staff related costs		**(114,770)**	(84,063)
Repairs and maintenance costs		**(853)**	(726)
Accommodation and utility costs		**(1,498)**	(1,382)
IT and communication costs		**(2,787)**	(2,621)
Other administrative costs		**(6,424)**	(8,654)
Finance costs		**(8,146)**	(5,634)
Depreciation		**(34,587)**	(27,184)
Total Expenses		**(266,822)**	(229,006)
Profit/(Loss) before Income Tax for the Period		**37,700**	9,462
Income tax (expense) / benefit	*E1*	**(11,431)**	(2,906)
Profit/(Loss) for the Period		**26,269**	6,556
Other Comprehensive Income			
Items that may be classified to profit or loss:			
Other Comprehensive Income for the Year net of Tax		**-**	-
Total Comprehensive Income for the Period		**26,269**	6,556
Total Comprehensive Income for the Period is Attributable to:			
Owners of Alliance Aviation Services Limited		**26,269**	6,556

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

	31 December 2023 Cents	31 December 2022 Cents
Earnings Per Share for Profit from Continuing Operations Attributable to the Ordinary Equity Holders of the Company		
Basic earnings per share	**16.34**	4.08
Diluted earnings per share	**16.33**	4.08

Condensed Consolidated Balance Sheet

For the half year ended 31 December 2023

	Notes	31 December 2023 $'000	30 June 2023 $'000
Assets			
Current Assets			
Cash and cash equivalents	*B1*	**36,944**	22,317
Receivables		**61,788**	79,100
Inventories	*D1*	**125,556**	89,610
Total Current Assets		**224,288**	191,027
Non-Current Assets			
Property, plant and equipment	*D2*	**611,477**	563,423
Intangibles	*D3*	**190**	218
Right of use assets	*D4*	**23,934**	25,110
Total Non-Current Assets		**635,601**	588,751
Total Assets		**859,889**	779,778
LIABILITIES			
Current Liabilities			
Trade and other payables		**80,420**	85,678
Borrowings	*B2*	**7,452**	7,452
Current tax liabilities		**191**	191
Lease liabilities	*D4*	**2,562**	2,529
Provisions		**21,282**	19,493
Total Current Liabilities		**111,907**	115,343
Non-Current Liabilities			
Borrowings	*B2*	**274,105**	227,831
Provisions		**1,856**	1,663
Deferred tax liability		**71,053**	59,621
Lease liabilities	*D4*	**24,687**	25,553
Total Non-Current Liabilities		**371,701**	314,668
Total Liabilities		**483,608**	430,011
Net Assets		**376,281**	349,767
Equity			
Contributed equity	*F1*	**288,206**	288,206
Reserves		**(110,397)**	(110,642)
Retained earnings		**198,472**	172,203
Total Equity Attributable to Ordinary Equity Holders of the Company		**376,281**	349,767
Total Equity		**376,281**	349,767

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

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2023

	Notes	31 December 2023 $'000	31 December 2022 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		**326,523**	262,412
Payments to suppliers (inclusive of GST)		**(306,944)**	(237,159)
Interest received		**485**	23
Interest paid		**(8,035)**	(4,737)
Income tax paid		**-**	3,084
		12,029	23,623
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(42,414)**	(54,975)
Net Cash Inflow (Outflow) from Investing Activities		**(42,414)**	(54,975)
Cash Flows from Financing Activities			
Proceeds from borrowings		**50,000**	20,393
Repayment of borrowings		**(3,726)**	(2,626)
Principal elements of lease payments		**(1,262)**	(1,351)
Net Cash Inflow (Outflow) from Financing Activities		**45,012**	16,416
Net Increase (Decrease) in Cash and Cash Equivalents		**14,627**	(14,936)
Cash and cash equivalents at the beginning of the year		**22,317**	20,895
Effects of exchange rate on cash and cash equivalents		**-**	4
Cash and Cash Equivalents at End of the Year	*B1*	**36,944**	5,963

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

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2023

	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2023		288,206	(110,642)	172,203	349,767
Comprehensive income					
Profit for the period		-	-	26,269	26,269
Total Comprehensive Income for the Period		-	-	26,269	26,269
Transactions with owners in their capacity as owners					
Share-based payment reserve		-	68	-	68
Foreign currency translation reserve		-	177	-	177
		-	245	-	245
Balance at 31 December 2023		288,206	(110,397)	198,472	376,281

	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2022		288,206	(110,492)	135,741	313,455
Comprehensive income					
Profit for the period		-	-	6,556	6,556
Total Comprehensive Income for the Period		-	-	6,556	6,556
Transactions with owners in their capacity as owners					
Foreign currency translation reserve		-	(65)	-	(65)
		-	(65)	-	(65)
Balance at 31 December 2022		288,206	(110,557)	142,297	319,946

The above Condensed 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 2023

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.

The Group's operations and revenue streams are consistent with those described in the Group's Annual Report for the year ended 30 June 2023.

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

	31 December 2023 $'000	31 December 2022 $'000
Contract revenue	**154,650**	152,053
Charter revenue	**8,140**	8,128
Wet lease revenue	**127,640**	61,988
RPT revenue	**6,305**	7,673
Aviation services revenue	**1,949**	5,076
Other revenue	**680**	403
Total revenue from continuing operations	**299,364**	235,321

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 2023 $'000	30 June 2023 $'000
Cash at bank and on hand	**36,944**	22,317
Total Cash and Cash Equivalents	**36,944**	22,317

B2 - BORROWINGS

The Group’s borrowings increased in the half year ended 31 December 2023 to $281,557k (FY 23: $235,283k). During the half year the Group extended the term on its ANZ Term Loan Facilities to January 2025.

The type of borrowing facilities available and used as at 31 December 2023 is shown below:

B – CASH MANAGEMENT (CONTINUED)

B2 – BORROWINGS (CONTINUED)

FACILITIES

Funding Mechanism	Financier Limit ANZ $'000	Financier Limit Pricoa $'000	Financier Limit NAIF $'000	Current Available $'000	Utilisation $'000
AUD Mechanism	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Term Loan Facility I	16,657	-	-	-	16,657
Term Loan Faciliy II	39,400	-	-	-	39,400
Term Loan Facility III	12,500	-	-	-	12,500
Senior Secured Guaranteed Notes	-	100,000	-	-	100,000
Northern Australia Infrastructure Fund (NAIF)	-	-	21,000	-	21,000
Sub-total Borrowings	**68,557**	**100,000**	**21,000**	**-**	**189,557**
Working capital multi option facility I	4,000	-	-	3,954	46
Working capital multi option facility II	-	-	-	-	-
Bank Guarantee Facility	1,000	-	-	322	678
Total AUD Mechanism	**73,557**	**100,000**	**21,000**	**4,276**	**190,281**
USD Mechanism	**USD**	**USD**	**USD**	**USD**	**USD**
Senior Secured Guaranteed Notes - USD	-	100,000	-	37,330	62,670*
Total USD Mechanism	**-**	**100,000**	**-**	**37,330**	**62,670**

*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 H1FY24 a further drawdown of AUD50 million was made and the parties have agreed repayments will be transacted in AUD. The total drawdowns have been recorded on the Consolidated Balance Sheet at AUD92 million which has been translated to USD at the rate applicable on 31 December 2023 to reflect the current available limit. The remainder of the USD Shelf facility was drawn down in January 2024 to fund aircraft settlements.

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.

Management and the Board continue to monitor risks relating to the current operating environment and ensure that risk mitigation strategies are in place should the current political and financial environment present challenges to the performance of the business.

C1 - DIVIDENDS

FRANKING CREDITS

	31 December 2023 $'000	31 December 2022 $'000
Franking credits available for subsequent reporting based on a tax rate of 30% (2023: 30%)	**5,966**	5,928

D – OTHER ASSETS

D1 - INVENTORY

Inventory consists of spare aircraft, aircraft and engine parts, spare engines, major components and consumables. The following balances contain inventory for the Fokker and Embraer fleet types.

	31 December 2023 $'000	30 June 2023 $'000
Aircraft spares and spare engines		
- Fokker	**42,019**	34,717
- Embraer	**61,298**	36,609
Total aircraft spares and spare engines	**103,317**	71,326
Consumables	**22,239**	18,284
Total Inventory	**125,556**	89,610

AMOUNT RECOGNISED IN PROFIT AND LOSS

Inventory recognised as an expense during the half year ended 31 December 2023 amounted to $932k (2023: $1,183k) and is included in parts and inventories expense.

D2 - PROPERTY, PLANT & EQUIPMENT

	Aircraft Assets $'000	**Property Plant & Equipment $'000**	**Total $'000**
Opening Balance as at 30 June 2023			
Cost	916,848	34,672	951,520
Accumulated deprecition	(365,803)	(22,294)	(388,097)
Net Book Value	**551,045**	**12,378**	**563,423**
Half year ended 31 December 2023			
Opening net book value	551,045	12,378	563,423
Additions	81,853	5,309	87,162
Transfers	(5,718)	-	(5,718)
Disposals at Cost	-	(15)	(15)
Disposal - Accumulated Depreciation	-	9	9
Depreciation charge	(32,100)	(1,284)	(33,384)
Closing Net Book Value 31 December 2023	**595,080**	**16,397**	**611,477**
As at 31 December 2023			
Cost	992,983	17,672	1,010,655
Accumulated deprecition	(397,903)	(1,275)	(399,178)
Net Book Value	**595,080**	**16,397**	**611,477**

D – OTHER ASSETS (CONTINUED)

D2 - PROPERTY, PLANT & EQUIPMENT (CONTINUED)

ADDITIONS AND TRANSFERS

Additions to property, plant & equipment for the period ended 31 December 2023 include any aircraft entered into service, all aircraft heavy maintenance and the addition of major modifications and significant components. Transfers relate to the removal of rotable parts from the aircraft which are transferred to inventory.

D3 – INTANGIBLES

Intangibles relate to certifications and internally generated software.

Item	**31 December 2023 $'000**	30 June 2023 $'000
Opening net book amount	**218**	272
Additions	**-**	-
Amortisation charge	**(28)**	(54)
Closing net book value	**190**	218

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 2023 $'000	30 June 2023 $'000
Right of use Assets		
Property, Plant & Equipment	**23,934**	25,110
Total Right of Use Assets	**23,934**	25,110
Lease Liabilities		
Current	**2,562**	2,529
Non-Current	**24,687**	25,553
Total Lease Liabilities	**27,249**	28,082

D – OTHER ASSETS (CONTINUED)

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

AMOUNTS RECOGNISED IN THE CONDENSED 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 2023 $'000	31 December 2022 $'000
Income Tax Expense		
Current Tax		
Current tax on profits for the year	-	14
Total Current Tax Expense	-	14
Deferred Income Tax		
Decrease /(Increase) in deferred tax assets	**(4,324)**	(3,774)
(Decrease)/Increase in deferred tax liabilities	**15,755**	6,666
Total deferred tax expense/(benefit)	**11,431**	2,892
Income tax expense on profit from continuing operations	**11,431**	2,906
Effective tax rate	**30.3%**	31%
Numerical reconciliation of Income Tax Expenses to Prima Facie Tax Payable		
Profit / (loss) before income tax expense	**37,700**	9,462
Tax at the Australian Corporate Tax rate of 30% (2022: 30%)	**11,310**	2,838
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
Sundry	**121**	68
Total Income tax expense	**11,431**	2,906

F – EQUITY

F1 - CONTRIBUTED EQUITY

	31 December 2023		30 June 2023	
	No. of shares	**$'000**	No. of shares	$'000
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
Movement in Ordinary Share Capital Issued and Fully Paid Ordinary Shares:				
At the beginning of the financial period	**160,734,697**	**288,206**	160,734,697	288,206
Balance at the End of the Financial Year	**160,734,697**	**288,206**	160,734,697	288,206

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 2023.

H – OTHER ITEMS

H1 – CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

Alliance has on issue six bank guarantees relating to existing leases totalling $618k (FY23: $618k)

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.

E190 FLEET ACQUISITION

In February 2023 the Group executed an Aircraft Purchase Agreement for the acquisition of 30 Embraer E-190 jet aircraft with the delivery schedule commencing in September 2023 and ending in January 2026. As disclosed at the time the final purchase price will be adjusted for the maintenance status of the major componentry (including engines) in the weeks preceding the delivery date. This leads to a significant degree of variation in unit cost and therefore a firm fleet price was unable to be given at that time.

H – OTHER ITEMS (CONTINUED)

H1 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

CAPITAL COMMITMENTS (CONTINUED)

E190 FLEET ACQUISITION (CONTINUED)

Under the Aircraft Purchase Agreement, the Group is entitled to enforce certain delivery conditions, the Seller is currently experiencing delays in meeting these conditions and as a result deliveries are being delayed by an average of three months per aircraft.

As at balance date two of the 30 aircraft had been acquired with an average price of $12 million each. Due to the unit cost variation the Group continues to be unable to provide a firm fleet price however, expects the range for the remaining commitments to be between $280 million and $336 million. The Group estimates the delay in settlements to continue with the last delivery estimated to occur in June 2026.

During the course of the delivery program, up to 11 aircraft are to be parted out with the resultant componentry utilised for reduction of the Groups own inventory purchases and providing significant opportunity for third party sales.

H2 - EVENTS OCCURRING AFTER BALANCE DATE

The Group utilised the remainder of the USD Shelf facility in January 2024 to fund additional aircraft settlements. The amount of drawdown was $59.25 million.

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 2023.

I – BASIS OF PREPARATION

I1 - COMPLIANCE

This is the condensed consolidated 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 2023.

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 2023 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*.

I – BASIS OF PREPARATION (CONTINUED)

I2 – 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.

The Group continues to record improved financial performance with significantly increased revenue, profit and cashflow in the half year. The Groups financial forecast show continued growth across all revenue categories, in particular the wet lease arrangements.

Note H1 – Contingencies and Commitments, identifies that the Group has outstanding capital commitments at balance date of between $280 million and $336 million in relation to the Embraer E190 acquisition programme.

Seventeen aircraft are expected to settle in the next 12 months at a cost of between $182 million and $204 million. The Group had cash reserves of $37 million at 31 December 2023 and is forecast to continue to generate positive operating cash flow for at least the next 12 months. At the date of this report there were not committed financing facilities available to fully cover the outstanding commitments which fall due in the 12 months from the date of this Interim report. In addition, as disclosed in note B2 the ANZ Term Loan Facilities expire on 12 January 2025.

The Directors have considered financing options for the balance of the fleet acquisition taking into account the continuing three month average delay and the intended use being part out, wet or dry lease, contract or ad-hoc charter services or the sale of a number of aircraft to other airlines.

The Directors are considering a number of different funding alternatives as well as progressing the renewal of the ANZ Term Loans for a further three years.

Discussions have been held with a variety of parties, including the Groups lenders and the Directors are confident in obtaining the necessary finance, including the refinancing of the ANZ facilities which will enable the group to meet its financial commitments.

In light of these circumstances 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 Group continues to meet all its banking covenants with an adequate amount of headroom. The Directors have formed the view that despite the shortfall in committed facilities set out above as at the date of this report, the Group will be able to secure funding to meet its commitments and thus have prepared the interim financial report on a going concern basis.

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. Several 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

In the Directors' opinion:

- The financial statements and notes set out on pages 7 to 18 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 2023 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

Sydney

Date: 7 February 2024

Independent Auditor’s Report to Members

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 Condensed consolidated balance sheet as at 31 December 2023, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected 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 2023 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.

Material uncertainty relating to going concern

We draw attention to Note I2 – Going Concern in the half-year financial report, which indicates that the Group is dependent on obtaining additional funding as well as the renewal of its existing Term Loans which expire on 12 January 2025 to meet the contractual commitments on settlement dates relating to the Embraer aircraft acquisitions. These conditions, along with other matters as set forth in Note I2 – Going Concern, 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 2023 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*.

Independent Auditor's Report to Members

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	Brisbane
Partner	7 February 2024