ALLIANCE AVIATION SERVICES LIMITED

ACN 153 361 525

ASX Code : AQZ

ANNUAL REPORT

For the year ended 30 June 2015

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Company Directory

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	ACN:	153 361 525
	ASX:	AQZ
Directors	S Padgett	Non executive chairman
	S McMillan	Managing director
	P Housden	Independent non-executive director
	D Crombie	Independent non-executive director
	L Schofield	Executive Director (Appointed 28 May 2015)
Secretary	M Dyer	
Senior Management	M Dyer	Chief Financial Officer
	S Edwards	General Manager Commercial (Appointed 16 February 2015)
Share Register	Link Market Services Limited 123 Eagle Street Brisbane QLD 4000	
Auditor	PricewaterhouseCoopers 123 Eagle Street Brisbane QLD 4000	
Solicitors	Norton White 66 Hunter Street Sydney NSW 2000 Freehills Herbert Smith 101 Collins Street Melbourne VIC 3000	
Bankers	Australian and New Zealand Banking Group 111 Eagle Street Brisbane QLD 4000 Commonwealth Bank of Australia Limited 300 Murray Street, Perth, WA 6000 Fiduciary Services – Australian and New Zealand Banking Group	
Stock Exchange	Australian Securities Exchange Exchange Centre 20 Bridge Street Sydney NSW 2000	

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

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Alliance Aviation Services Limited (the "Company" or "Alliance") and the entities it controlled at the end of, or during, the year ended 30 June 2015.

The following persons were directors of Alliance Aviation Services Limited during the financial year 2015:

Steve Padgett	Non-executive chairman
Scott McMillan	Managing director and CEO
Lee Schofield	CEO (Appointed 28 May 2015)
Peter Housden	Independent non-executive director
David Crombie	Independent non-executive director

The key messages from this report are:

- Alliance derived an underlying net profit after tax of $13.2 million compared with $10.9 million for the previous year;
- Alliance is actively managing its fleet composition and sold two F100 aircraft during the year to improve utilisation and lower operating costs in future years;
- Alliance has successfully restructured its major maintenance plan and engineering division which will result in future cash savings;
- Alliance has successfully paid down debt during the year to enhance its Balance Sheet and has refinanced its debt with its current financiers for a further 3 years; and
- Alliance continues to retain contracts and is developing new revenue streams.

Summary of Financial Results

Alliance Aviation Services Limited recorded a statutory net loss of $36.6 million for the financial year ended 30 June 2015. Alliance delivered an underlying net profit after tax from ordinary operations of $13.2 million.

There were a number of events and transactions that took place during the financial year which have shaped the results including:

- A number of changes to long term contracts in the first half of the year due to the resources downturn which resulted in an amended outlook for the year. This was disclosed in December 2014. The results stabilised for the balance of the year meaning that Alliance delivered the financial result which was forecast in December 2014;
- The recognition of an impairment on existing assets which is discussed further below and in note 5 and which was a non-cash transaction totalling $45.3 million;
- The sale of two F100 aircraft which reduced the operating fleet by two. These aircraft are not required for the current contract revenue base;
- A reduction in net debt during the year of approximately $10 million and the refinancing of the debt facilities for a further 3 years; and
- A significant restructuring of the engineering maintenance program.

The results for the year ended 30 June 2015 have been summarised below to facilitate direct comparison with the 2014 results.

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

In our view, the following presentations assist in assessing interest cover, and remove from the IFRS profit particular expenses to show a 'bottom line' non-IFRS profit. In addition, the disclosure of non-IFRS financial information provides a true and fair view of the financial position and performance of the entity.

Item	FY 2015 $m			FY 2014 $m		
	Actual	Adjusted	Underlying	Actual	Adjusted	Underlying
Revenue	199.4	-	199.4	200.2	-	200.2
EBITDA	41.7	4.5	46.2	40.6	0.9[1]	41.5
EBIT	(31.5)	55.2	23.7	18.7	-	19.6
Finance Costs	(7.8)	2.9	(4.9)	(4.2)	-	(4.2)
EBT	(39.3)	58.1[2]	18.8	14.4	-	15.3
Tax	2.7	(8.3)[3]	(5.6)	(4.2)	(0.2)	(4.4)
Profit after tax	(36.6)	49.8	13.2	10.2	0.7	10.9

[1] This adjustment is operating expenses which represent the employee costs incurred with "once off" redundancy, termination and restructuring costs which were incurred during the period. 2 This is the total of the adjustments for the year ended 30 June 2015 and is described more fully directly below the reconciliation of the results in the Directors Report. 3 Reflects the adjusted tax movement.

The following table represents a reconciliation of the "one off" adjustments which have been removed from the statutory results in the current year to form the 'underlying results' They are recognised as the **Adjustment** in the line item EBT (Earnings Before Interest and Tax) of $58.1 million:

Detail		$ m
Impairment	This is the impairment loss refereed to below and outlined in Note 5.	45.3
Depreciation Charges	This is a once off depreciation charge as a result of the restructured maintenance program. It is a change in the effective life of previously incurred expenditure as a result of the amended program. Refer Note 3.	5.4
Redundancy Costs	This is redundancy related costs incurred during the year to implement the structural changes.	1.3
PPE Loss	This is a realised loss on disposal of part of the F100 engine pool as a result of the sale of the 2 F100 aircraft.	3.2
Foreign Exchange	Realised Foreign Exchange Loss on the Repayment of the USD Loans.	2.9
Total Adjustment		**58.1**

Detail		$ m
Adjusted EBT	Earnings Before Tax per table directly above	**58.1**
Tax effect on Adjusted EBT	Tax at company tax rate 30%	(17.4)
Removal of DTA	Reduction of deferred tax asset for carry forward tax losses	9.1
Adjusted Tax	Tax after all adjustments	(8.3)

Revenue

Revenue for the year was $199.4 million compared to $200.2 million in FY2014, a decrease of 0.4%. A part of the decrease in revenue was because the fuel price declined during the year. This is because fuel savings (and increases) are passed through to our customers in the majority of the long term contracts.

Alliance has in the past flown 'wet lease' hours on behalf of other operators. Over the past year Alliance has increased the number of contracted flying hours as the number of wet lease hours has decreased.

Flying hours	FY 2015	FY 2014	FY 2013
Contracted Flying Hours	23,395	22,811	25,113
Wet Lease Flying Hours	890	2,351	6,827
Total Flying Hours	24,285	25,162	31,940
Wet Lease Flying Hours as a percentage of total flying hours	4%	9%	21%

During the past year Alliance has not lost any major contracts. Alliance continues to focus on its relationship with existing customers and looking for ways to renew these contracts whilst at the same time providing our customers value for money.

Key Metrics

The key metrics below demonstrate this consolidation for 2015 as the increase in long term contract revenue locked in. As outlined in the 'Outlook' below, the forecast for FY16 is for a return to the long-term average revenue growth. This will result in an improvement in the metrics for 2016.

Detail	FY 2015	FY 2014	FY 2013	FY 2012
Average Aircraft in Service	25	27	25	21
Flight Hours	24,285	25,162	31,940	27,139
Total Flights	18,786	19,294	22,887	20,109
Average Staff Numbers	492	512	522	425
Underlying EBITDA per aircraft	$1.8M	$1.5M	$2.3M	$2.3M
Revenue per employee	$399K	$392K	$447K	$433K
FIFO % of Total Revenue	88%	82%	77%	76%

As at 30 June 2015 the total staff numbers were 457 a reduction of 18% from the same time the year before. As at signing of this report the total staff numbers have reduced further to 435. This reduction in numbers will be reflected in the financial results for the year ended 30 June 2016.

Capital Expenditure

Capital expenditure for the year was $37.7 million. This expenditure was for the heavy maintenance of the aircraft fleet and includes amounts transferred from the operating expenditure which are directly attributable to the internal heavy maintenance program. Capital Expenditure has increased on previous years as Alliance transitions to an outsourced heavy maintenance model.

Operating Cash flow

Operating cash flow for the year was $31.8 million (2014: $29.5 million). The increase in operating cash flow reflects the focus of cost management.

Business Strategies and Outlook

As with previous years, there will be a continued emphasis on the highest level of safety, maintaining industry leading on time performance and outstanding customer service to support the delivery of sustainable shareholder returns.

Alliance has the revenue contracts and a strategy to support its forecast. Alliance is executing a number of strategies to increase the level of ad-hoc charter revenue by moving into new markets.

There is likely to be limited growth in long-term contract revenue in the resources sector, however new opportunities will continue to be sought in other sectors. A positive example of this is the five year contract recently signed in the Tourism sector. Alliance's fleet and bespoke charter options represent a compelling proposition for tourist operators.

The rationalisation of the F100 fleet over the past 12 months and the change in the mix of aircraft will allow Alliance to respond to the needs of its customers and secure new opportunities as and when they arise. Alliance has sufficient aircraft to meet the forecast in future years with some additional capacity to secure any new opportunities, particularly outside of the traditional FIFO peak between Tuesday and Thursday.

Alliance has recently implemented a restructure of the heavy maintenance program with substantial cost savings expected and already experienced. This new program of maintenance supported by a highly credentialed external maintenance provider will allow the company to be more efficient with its capital expenditure on an ongoing basis, leading to enhanced cash generation.

The financial outlook for Alliance for the year ended 30 June 2016 is a product of moderating contracted revenues, developing the ad-hoc charter market, new revenue sources and reducing expenditure, in particular capital expenditure.

The outlook for the financial performance in the near term is stable with an enhanced future economic benefit to be derived through lower capital expenditure. This lower capital expenditure number will allow for the continued lowering of debt and should allow the Directors to consider the reinstatement of the dividend for the financial year ended 30 June 2016.

The focus of the Directors is to continue to strengthen the financial position of Alliance.

Impairment of Assets

At a Board meeting on 22 December 2014, the Directors considered the interpretation of the accounting standard in relation to the impairment of assets and how this should be applied to Alliance.

The total impairment charge for property, plant and equipment and inventory recognised is $44.9 million. There was a further write down of an intangible of $0.3 million bringing the total impairment charge to $45.3 million in the current period.

Further explanation of this calculation has been included in Note 5 of these financial statements.

A further assessment for impairment was completed as at 30 June 2015. No further impairment of assets is necessary.

Description of Operations

Alliance provides an essential service to the mining, energy and other industries – the safe and efficient air transportation of their employees and contractors to and from remote locations. In the past year, Alliance has expanded this model to the tourism sector and is currently developing new products and an expanded ad-hoc charter business.

The company has the Flight Safety Foundation "BARS Gold" status and has recently received Wyvern accreditation.

The company owns a fleet of 15 Fokker 100 (F100) and 8 Fokker 70LR (F70) jet aircraft and 6 Fokker 50 (F50) turboprops at industry leading on time performance. As at 30 June 2015 one F70 and one F50 are not in service.

Alliance flies workers to and from some of the largest operating mines in Australia for a predominantly "blue chip" mining and energy customer base, and also provides ad hoc charter operations, wet lease and aviation engineering services to a range of corporate and government customers. Recently Alliance has started charter operations to support the Tourism sector.

Alliance has a national footprint with operations and aircraft based in Brisbane, Townsville, Cairns, Adelaide, Melbourne, Perth and Darwin. Alliance now has an operation in Auckland, New Zealand.

The Alliance corporate function is operated from Brisbane. Alliance has line facilities in Brisbane, Adelaide, Perth, Melbourne, Darwin, Townsville and Cairns. Following the restructure of the engineering maintenance program during 2015, Alliance no longer performs large heavy maintenance checks in Australia.

Safety will always be the most important operational requirement for Alliance. Following the successful transition to new Civil Aviation Safety Authority (CASA) regulations concerning the airworthiness and maintenance of Regular Public Transport (RPT) in June 2013.

During the 2015 year CASA completed a number of their regular and scheduled audits on the Alliance operations. The Directors are pleased that Alliance continues to maintain a licence with no 'non-conforming' parts of our business.

Alliance has an enviable industry leading on time performance record with an average of 94% (2014: 93%) for the year ended 30 June 2015. This is what sets our performance apart from our competitors.

Safety will always be the most important operational requirement for Alliance and is paramount to the groups' success.

Aircraft

The total number of Alliance aircraft in service which are represented in the financial position of Alliance as at 30 June 2015 is as follows:

Aircraft	FY 2015	FY 2014	FY 2013
F50	**5**	5	6
F70	**7**	6	5
F100	**13**	17	17
	25	28	28

The low capital cost of the aircraft gives Alliance an organisational and competitive cost base advantage.

Revenue Sources and Major Contracts

The primary revenue sources for Alliance are from flying activity for; contracted fly-in, fly-out services (FIFO), ad-hoc charter revenue and contracted wet lease arrangements.

Alliance has built its business over many years from the contracted FIFO operations for Australia's premier mining and resource companies with a particular focus on long term low cost production projects.

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

Long term contracts provide good visibility of future revenues once secured. During the year there were a number of new or renewed contracts which further enhanced this visibility of revenue for Alliance including:

- A new contract with the major US tourist operator;
- Alliance won a selective tender process to continue services for St Barbara for a further three years;
- An extension to the contract with CITIC Pacific for a further 12 months; and
- Other smaller extensions and renewals which continue to demonstrate the outstanding operational performance of Alliance.

The continued investment and optimisation over the past 4 years in fleet numbers, has ensured that Alliance is well positioned to secure new opportunities and meet current customers' needs at a competitive price.

Organisational Readiness

Alliance has demonstrated over the past two years that it has the ability to be able to respond to the changes in our industry and our client's needs.

During the current year Alliance successfully completed a number of major initiatives to optimise operations including the reduction of total workforce by 85 (18%), the sale of two F100 aircraft and the further integration of F70 aircraft to take advantage of opportunities in the market place.

Between April and August 2015, Alliance has successfully closed both of its heavy maintenance facilities and transitioned these functions to an external organisation. As well as lowering the cost of these activities it will also lower the overhead expenditure.

All of these initiatives have been completed with a view to the long term sustainability of the Alliance operation and to execute its strategy to retain and grow its market position and revenue base.

The Directors and Management of Alliance continue to take the decisions necessary to ensure that Alliance is prepared and positioned for ongoing market challenges.

Environmental regulation

The group operations are subject to a range of Commonwealth, State, Territory and international environmental legislation. The group is committed to environmental sustainability with high standards for environmental performance. The Board places particular focus on the environmental aspects of its 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 adequate systems are in place for the management of the group's environmental exposure and performance. The Directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the year which are material in nature.

Other Relevant Facts

Principal Activities

During the year the principal activities of the group remained the provision of aircraft charter services, with a core revenue piece of fly-in fly-out services to mining and energy industries and a developing revenue stream from other industry sectors in particular tourism.

Earnings per Share

The basic earnings per share was (34.4) cents for the year ended 30 June 2015 (2014: 9.7 cents).

Bank Debt Facility

The Alliance bank debt facility was originally due to expire at 31 October 2015. In the first half of the current year Alliance approached to the Australian and New Zealand Banking Corporation (ANZ) and the Commonwealth Bank of Australia (CBA) and agreed to extend the debt facilities to 28 February 2016. The result of this extension was that the debt continued to be classified as non-current debt as at 31 December 2014. This extension was at the request of Alliance and was done at no additional cost.

Alliance subsequently completed a full refinance of the bank debt facility in June 2015.

The debt was refinanced with the current financers, ANZ and CBA for a further 3 years expiring 5 July 2018. The new debt facility is on principally the same terms and conditions as the previous facility. The debt was renewed at the same total cost.

The Directors continue to maintain the strategy to lower debt in the medium term.

Dividends

A fully franked dividend of 2.1 cents per fully paid ordinary share was paid on 9 October 2014. This dividend totalled $2,227,287 and was in respect of the year ended 30 June 2014. There was no interim dividend paid for the year ended 30 June 2015.

As indicated in the half year accounts ended 31 December 2014, the primary focus of Alliance was reviewing fleet capacity, lowering capital expenditure and reviewing the debt obligations of the business. Alliance has made good progress with these focus areas over the past 6 months. The results of this include the reduction of the fleet size, the restructure of the engineering maintenance program and the refinance of the debt facilities.

The Directors will continue to monitor the success of these strategies which have been executed since December 2014. It is the expectation of the Directors that they will consider the reinstatement of a dividend for the 2016 financial year.

Accordingly the Directors have resolved that no final dividend will be paid for the year ended 30 June 2015.

Likely developments and expected results of operations

There are no items to report on separate to those disclosed in the subsequent events note.

Significant Changes in the State of Affairs

Director's Report

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

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

Information on Directors

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

S Padgett: ***Chairman and non-executive director***		
Experience and expertise	Mr Padgett was a founding shareholder and inaugural chairman of the entities formed in 2002 which were the predecessors of the group. He has extensive aviation experience being the managing director and principal of Aeromil Pacific Pty Ltd an aviation business formed in 1980 involved in aircraft sales, corporate charter, aircraft maintenance, pilot training and aviation consultancy.	
Other current directorships	Director and life member of the Regional Aviation Association of Australia.	
Former directorships in the last 3 years	Managing Director of Aeromil Pacific Pty Limited	
Special responsibilities	▪ Chairman of the board ▪ Member of nomination and remuneration committee ▪ Member of the audit and compliance committee	
Interests in shares and options	Ordinary Shares	9,962,303

P Housden: ***Independent non-executive director***		
Experience and expertise	Mr Housden has over 41 years' experience in accounting, finance and management across a range of industries, including 21 years as a director of ASX listed companies.	
Other current directorships	Director of ASX listed companies: ▪ Royal Wolf ▪ Grain Corp ▪ Calibre Ltd	
Former directorships	▪ iSoft Group ▪ Sino Gold Mining ▪ Clean Seas Tuna ▪ Kaz Group	
Special responsibilities	▪ Member of the nomination and remuneration committee ▪ Chairman of the audit and compliance committee	
Interests in shares and options	Ordinary Shares	33,486

D Crombie: Independent non-executive director		
Experience and expertise	Mr Crombie has extensive experience in the agricultural industry founding GRM International a company managing development projects in Australia and overseas.	
Other current directorships	Director of ASX listed companies: ▪ Australian Agricultural Company Ltd ▪ Barrack St. Investments Director of: ▪ GRM Futures Group ▪ Rosewood Station Pty Ltd	
Former directorships	▪ Meat and Livestock Australia (Chairman) ▪ National Farmers Foundation (President) ▪ Australian Rugby Union (President) ▪ Foodbank Queensland (Director) ▪ Export Finance and Insurance Corporation (Director)	
Special responsibilities	▪ Chairman of the nomination and remuneration committee. ▪ Member of the audit and compliance committee.	
Interests in shares and options	Ordinary Shares	144,424

S McMillan: *Managing director (executive director)*		
Experience and expertise	Mr McMillan was a founding shareholder and managing director of the entities formed in 2002 which were the predecessors of the group. He has extensive aviation experience prior to joining Alliance he held senior positions with Ansett Australia, Flight West and qualified as a chartered accountant with Peat Marwick Mitchell (now KPMG).	
Other current directorships	▪ Regional Aviation Association of Australia	
Former directorships	▪ Meat and Livestock Australia ▪ National Farmers Foundation	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary Shares	4,012,206

L Schofield: *Chief Executive Officer (executive director)*		
Experience and expertise	Mr Schofield has broad experience as a solicitor working in corporate, commercial and transport matters. His specific aviation experience includes legal and commercial roles with an international aircraft leasing company and he was a member of the executive team at an Australian based airline prior to joining alliance.	
Other current directorships	▪ Complete Aviation Solutions Pty Ltd	
Former directorships	▪ Australian Handball Federation ▪ VGS Bermuda Leasing One Ltd	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Ordinary Shares	2,222

Company Secretary

The Company Secretary as at 30 June 2015 was M Dyer. M Dyer was appointed company secretary on 15 July 2013. M Dyer is also the Chief Financial Officer.

Meetings of Directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

Director			Meetings of Committees			
	Full meetings of directors		Audit and Compliance		Nomination and Remuneration	
	A	B	A	B	A	B
S Padgett	9	9	4	4	2	2
S McMillan	8	9	4	4	-	-
P Housden	8	9	4	4	2	2
D Crombie	9	9	4	4	2	2
L Schofield	1	1	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Remuneration Report

Changes since the last reporting period

The role of General Manager – Commercial has been filled by Mr Shane Edwards. Mr Shane Edwards commenced with the group on 16 February 2015.

Mr Lee Schofield was appointed an Executive Director and Chief Executive Officer on 28 May 2015.

Role of the Nomination and Remuneration Committee

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

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

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

The current members of the remuneration committee are Mr D Crombie (Chair), Mr P Housden and Mr S Padgett. The Corporate Governance Statement provides further information on the role of this committee.

Non-Executive Director Remuneration Policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board.

Directors' Fees

The current annual fees set out below were approved as part of the listing process. An annual base fee has been set for the chairman and other directors. Additional fees are paid to non-executive directors who chair a committee. The Chairman's remuneration is inclusive of committee fees.

Non-Executive Directors' Fees

Non-executive directors' fees are determined within an aggregate directors' fee annual pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $700,000 per annum. This limit can only be changed by approval of shareholders at a general meeting.

A 5% reduction was adopted for the 2014 financial year compared with the previous year. During the current year Directors fees which include superannuation have been increased by the 0.25% change in the superannuation guarantee rate. There have been no other changes to any non-executive fees during the current year.

Remuneration Report (continued)

The following fees have applied:

Fee type	FY 2015 $	FY 2014 $
Base Fees		
Chair	181,000	181,000
Other non-executive directors	76,000	76,000
Additional Fees		
Committee – chair	14,000	14,000

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

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

Executive Remuneration Policy and Framework

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

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

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood, and
- acceptable to shareholders.

The board intends to have an executive remuneration and reward framework that has three components:

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

For the year ended 30 June 2015 the following remuneration practices were adopted for KMP:

Base Pay and Benefits

Executives receive their base pay as the fixed component of their remuneration. They can elect to salary sacrifice and receive non-monetary benefits.

There is no guaranteed base pay increases included in any executives' contracts.

Remuneration Report (continued)

Balancing short-term and long-term performance

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

Short-Term Incentives

In 2015, a short-term incentive bonus pool was provided for KMP following the completion of the 2014 financial year.

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2015	2014	2015	2014	2015	2014
Other key management personnel						
Executive directors						
S McMillan	80%	80%	20%	20%	0%	0%
L Schofield	80%	80%	20%	20%	0%	0%
Other key management personnel						
K Crawford (Resigned 31/12/13)	0%	80%	0%	20%	0%	0%
M Dyer	80%	80%	20%	0%	0%	0%
S Edwards	80%	-	20%	-	-	-

Long-Term Incentives

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

The Company has adopted a framework for a Long Term Incentive Plan ("LTI Plan") to assist in the attraction, motivation and retention of employees (including executive directors) of Alliance. The framework authorises the grant of options, rights or restricted shares ("LTI Securities"). Eligibility to participate in the LTI plan, the number and type of LTI Securities offered to each individual participant, will be determined by the board as part of an overall remuneration strategy to be developed.

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

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

Shares issued under the LTI Plan, including on vesting and exercise of rights and options will rank equally with the other issued shares.

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

Remuneration Report (continued)

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

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

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

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

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

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

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

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

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

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

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

To date there have been no issues pursuant to the LTI plan. It is forecast that a future issue will be considered.

Issue of Rights

There were no shares issued as part of this rights issue during 30 June 2015.

Rights holdings

The numbers of rights over ordinary shares in the company held during the financial year by each director of Alliance Aviation Services Limited and other key management personnel of the group, including their personally related parties, are set out below.

Remuneration Report (continued)

2014							
Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors of *Alliance* Aviation Services limited							
S McMillan	264,706	-	-	(264,706)	-	-	-
2015							
Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors of *Alliance* Aviation Services limited							
S McMillan	-	-	-	-	-	-	-

Details of Remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the group for the current and previous financial year.

2015	Short-term employee benefits			Post-employment benefits	Long term benefits	Termination benefits	Share based payments	
	Cash salary and allowances $	Cash Bonus $	Annual leave $	Super-annuation $	Long services leave $	Termination benefits $	Options $	Total $
Non-executive directors								
S Padgett	165,675	-	-	15,739	-	-	-	181,414
D Crombie	82,380	-	-	7,826	-	-	-	90,206
P Housden	90,000	-	-	-	-	-	-	90,000
Sub-total non-executive directors	**338,055**	**-**	**-**	**23,565**	**-**	**-**	**-**	**361,620**
Executive directors								
S McMillan	489,626	53,946	14,837	35,000	13,303	-	-	606,712
L Schofield	284,394	27,523	15,484	18,753	3,876	-	-	350,030
Other key management personnel								
M Dyer	241,102	30,138	22,619	25,053	1,494	-	-	320,406
K Crawford (Resigned 31/12/13)	-	-	-		-	200,000	-	200,000
S Edwards (Appointed 16/02/15)	103,210	-	-	9,805	340	-	-	113,355
Total key management personnel compensation (group)	**1,118,332**	**111,607**	**52,940**	**88,611**	**19,013**	**200,000-**	**-**	**1,590,503**

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

Remuneration Report (continued)

2014	Short-term employee benefits			Post-employment benefits	Long term benefits	Termination benefits	Share based payments	
	Cash salary and allowances $	Cash Bonus $	Annual leave $	Super-annuation $	Long services leave $	Termination benefits $	Options $	Total $
Non-executive directors								
S Padgett	165,675	-	-	15,325	-	-	-	181,000
D Crombie	82,380	-	-	7,620	-	-	-	90,000
P Housden	90,000	-	-	-	-	-	-	90,000
Sub-total non-executive directors	**338,055**	**-**	**-**	**22,945**	**-**	**-**	**-**	**361,000**
Executive directors								
S McMillan	383,486	97,689	85,433	52,411	50,450	-	-	669,469
Other key management personnel								
M Dyer	234,112	-	41,117	25,459	-	-	-	300,688
L Schofield	246,322	48,480	28,351	29,892	-	-	-	353,045
K Crawford (Resigned 31/12/13)	117,617	48,480	-	15,364	-	80,423	-	261,884
A J Childs (Resigned 15/07/13)	-	-	-	-	-	266,000	-	266,000
Total key management personnel compensation (group)	**981,537**	**194,649**	**154,901**	**123,126**	**50,450**	**346,423**	**-**	**1,851,086**

Service Agreements

On appointment to the board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment.

Remuneration and other terms of employment for the managing director and the other key management personnel are formalised in employment agreements. These agreements provide for remuneration in the form of base salary plus superannuation.

Service agreements are summarised below:

Name	Commencement date	Term of employment contract	Base salary and allowances including super-annuation	Termination benefits
S McMillan Managing director	05-Apr-02	On-going	$539,463	Nil
L Schofield Chief Operating Officer	12-Jun-12	On-going	$301,376	Nil
S Edward General Manager – Commercial	16-Feb-15	On-going	$301,376	Nil
M Dyer Chief Financial Officer / Company Secretary	06-May-13	On-going	$301,376	Nil

Remuneration Report (continued)

Share Based Compensation

There are no rights or grants on issue affect remuneration in the current or a future reporting period.

Details of Remuneration: Bonuses and Share Based Compensation Benefits

As the bonuses paid and the rights granted during the year were completely at the discretion of the directors without specific service or performance targets for individuals it is not possible to identify amounts forfeited for not meeting targets.

Loans to Directors and Executives

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

Share holdings by Directors

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

FY 2015					
Name	Balance at start of the year	Disposal during the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
Directors of Alliance Aviation Services limited					
Ordinary Shares					
S Padgett	9,962,303	-	-	-	9,962,303
D Crombie	33,901	-	-	110,523	144,424
P Housden	32,977	-	-	509	33,486
S McMillan	3,494,406	-	-	517,800	4,012,206
L Schofield	-	-	-	2,222	2,222

FY 2014					
Name	Balance at start of the year	Disposal during the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
Directors of Alliance Aviation Services limited					
Ordinary Shares					
S Padgett	9,962,303	-	-	-	9,962,303
D Crombie	32,781	-	-	1,030	33,901
P Housden	31,976	-	-	1,001	32,977
S McMillan	3,373,963	-	-	120,443	3,494,406

Shares under option

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

Remuneration Report (continued)

Insurance of Officers

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

During the financial year, Alliance Aviation Services Limited and its controlled entities paid a premium of $170,240 to insure the directors and secretary 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 them or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Company

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Rounding of Amounts

The group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group are important.
Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out below.

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

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

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

	2015	2014
	$	$
Other assurance services		
PwC Australian firm		
Corporate Advisory Services	**-**	167,890
Total remuneration for other assurance services	**-**	**167,890**
Taxation Services		
PwC Australian firm		
Tax consulting and compliance services	**65,613**	134,631
Total remuneration for taxation services	**65,613**	**134,631**
Total remuneration for non-audit services	**65,613**	**302,521**

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

S Padgett

Chairman
Sydney
13 August 2015

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Alliance Aviation Services Limited for the year ended 30 June 2015, 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.

Timothy J Allman
Partner
PricewaterhouseCoopers

Brisbane
13 August 2015

Financial Statements

Alliance Aviation Services Limited - ACN 153 361 525 (ASX Code AQZ)

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These financial statements are the consolidated financial statements of the consolidated entity 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

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on Page 3 both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 13 August 2015. The directors have the power to amend and reissue the financial statements

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial statements, corporate governance statements and other information are available on our website: www.allianceairlines.com.au

Financial Statements

Consolidated income statement

	Notes	2015 $'000	2014 $'000
Revenue from continuing operations	6	**199,456**	200,196
Other income	7	**280**	356
Expenses			
Flight and operations costs	8	**(82,856)**	(87,350)
Engineering and maintenance costs	8	**(892)**	(2,964)
Selling and marketing expenses		**(1,165)**	(1,388)
Office and general administration costs	8	**(8,953)**	(9,507)
Finance costs	8	**(4,935)**	(4,231)
Employee costs	8	**(60,927)**	(58,705)
Depreciation	13	**(27,880)**	(21,959)
Foreign exchange reserve release	3	**(2,942)**	-
Loss on disposal of property, plant and equipment	8	**(3,243)**	(27)
Impairment of non-current assets	8,9	**(45,266)**	-
Loss before income tax for the period		**(39,323)**	14,421
Income tax benefit / (expense)	9	**2,740**	(4,157)
Loss for the period		**(36,583)**	10,264
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	32		
Basic earnings per share		**(34.41)**	9.72
Diluted earnings per share		**(34.41)**	9.72

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

Financial Statements

Consolidated statement of comprehensive income

	Notes	2015 $'000	2014 $'000
Profit for the period		**(36,583)**	10,264
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in the fair value of cash flow hedges	22	**(1,574)**	1,233
Income tax relating to these items	9	**472**	(370)
Other comprehensive income for the year, net of tax		**(1,102)**	863
Total comprehensive income for the period		**(37,685)**	11,127
Total comprehensive income for the period is attributable to:			
Owners of ***Alliance*** Aviation Services Limited		**(37,685)**	11,127

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

Financial Statements

Consolidated balance sheet

	Notes	2015 $'000	2014 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	**600**	239
Receivables	11	**24,528**	23,867
Inventories	12	**24,699**	24,379
Total current assets		**49,827**	48,485
Non-current assets			
Property, plant & equipment	13	**170,719**	218,157
Total non-current assets		**170,719**	218,157
Total assets		**220,546**	266,642
LIABILITIES			
Current liabilities			
Trade and other payables	15	**22,978**	22,016
Borrowings	16	**9,798**	18,000
Current tax liabilities		**18**	(4,266)
Provisions	17	**4,845**	4,513
Total current liabilities		**37,639**	40,263
Non-current liabilities			
Borrowings	18	**75,342**	76,836
Deferred tax liabilities	19	**-**	2,612
Provisions	20	**1,616**	1,541
Total non-current liabilities		**76,958**	80,989
Total liabilities		**114,596**	121,252
Net assets		**105,949**	145,390
EQUITY			
Contributed equity	21	**172,837**	172,366
Reserves	22	**(112,932)**	(111,830)
Retained earnings	22	**46,044**	84,854
Total equity		**105,949**	145,390

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

Consolidated statement of changes in equity

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013		**171,766**	**(112,693)**	**84,300**	**143,373**
Profit for the year	22	-	-	10,264	10,264
Other comprehensive income	22	-	863	-	863
Total comprehensive income for the period		-	863	10,264	11,127
Contributions of equity					
Dividends paid	21	-	-	(9,110)	(9,110)
Dividend reinvestment plan	21	600	-	(600)	-
		600	-	(9,710)	(9,110)
Balance at 30 June 2014		**172,366**	**(111,830)**	**84,854**	**145,390**
Balance at 1 July 2014		**172,366**	**(111,830)**	**84,854**	**145,390**
Profit for the year		-		(36,583)	(36,583)
Other comprehensive income	22	-	(1,102)	-	(1,102)
Total comprehensive income for the period		-	(1,102)	(36,583)	(37,685)
Transactions with owners in their capacity as owners					
Contributed equity		162	-	-	162
Dividends paid	23	-	-	(1,918)	(1,918)
Dividend reinvestment plan	23	309	-	(309)	-
Balance at 30 June 2015		**172,837**	**(112,932)**	**46,044**	**105,949**

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

Consolidated statement of cash flows

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**213,841**	229,074
Payments to suppliers (inclusive of goods and services tax)		**(176,770)**	(190,123)
Interest received		**35**	41
Interest paid		**(5,217)**	(4,262)
Income tax paid		**-**	(5,245)
Net cash inflow (outflow) from operating activities	**31**	**31,889**	29,485
Cash flows from investing activities			
Payments for property, plant and equipment		**(27,046)**	(29,396)
Proceeds from sale of property, plant & equipment		**12,429**	5
Net cash inflow (outflow) from investing activities		**(14,617)**	(29,391)
Cash flows from financing activities			
Proceeds from borrowings		**88,000**	14,891
Repayment of borrowings		**(102,400)**	(6,025)
Payments for borrowing costs		**(593)**	-
Dividends paid		**(1,918)**	(9,109)
Net cash inflow (outflow) from financing activities		**(16,911)**	(243)
Net increase (decrease) in cash and cash equivalents		**361**	(149)
Cash and cash equivalents at the beginning of the year		**239**	388
Cash and cash equivalents at the end of the year	**10**	**600**	239

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

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Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Alliance Aviation Services Limited and its subsidiaries.

1(a) Basis of Preparation

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

(i) Compliance with IFRS
The consolidated financial statements of the Alliance Aviation Services Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods.

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

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

1(b) Principles of Consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alliance Aviation Services Limited (‘company’ or ‘parent entity’) as at 30 June 2015 and the results of all subsidiaries for the year then ended. Alliance Aviation Services Limited and its subsidiaries together are referred to in these financial statements as the group or the consolidated entity.

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. They are deconsolidated from the date that control ceases.

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

Summary of Significant Accounting Policies (continued)

1(c) Segment reporting

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 board of directors.

1(d) Foreign currency translation

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

Alliance Aviation Services Limited has elected to designate their foreign currency borrowings as a hedge of the foreign currency risk associated with the future cash proceeds from the sale of aircraft (cash flow hedge), thereby removing the foreign exchange volatility in the profit and loss in relation to the US Dollar loan where it is effective. There were no foreign currency borrowings at 30 June 2015.

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

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

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

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

1(e) Revenue Recognition

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

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

Summary of Significant Accounting Policies (continued)

Revenue is recognised for the major business activities as follows:

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

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

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

(iii) ACMI (wet leasing services)
The group also utilises its fleet for wet lease or ACMI contracts. A wet lease of an aircraft is an arrangement whereby the group provides an aircraft, crew, maintenance and insurance (also referred to as ACMI) to a third party. This differs from a charter, under which Alliance Aviation Services Limited retains complete responsibility for operating its aircraft and provides services and is paid for, on a per flight basis. Revenue is derived in accordance with an agreed flight schedule based on completed flights.

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

1(f) Income Tax

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

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

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 also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Summary of Significant Accounting Policies (continued)

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

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

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

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

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

1(g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. There were no finance leases in place at 30 June 2015.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1(h) Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1(i) Cash and Cash Equivalents

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

1(j) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

1(k) Inventories

Consumables / Inventories are valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at reporting date using the first-in-first-out basis. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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.

1(l) Derivatives and Hedging Activities

Alliance Aviation Services Limited has elected to designate their foreign currency borrowings as a hedge of the foreign currency risk associated with the future cash proceeds from the sale of aircraft (cash flow hedge), thereby removing the foreign exchange volatility in the profit and loss in relation to the US Dollar loan where it is effective

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

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

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

Summary of Significant Accounting Policies (continued)

1(m) Property, Plant and Equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

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

1(n) Rolls Royce Total Care Agreement

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

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

The monthly payments are capitalised to this single pool of engines as they are incurred to increase the net book value.

The pool of engines are amortised using a unit of usage basis considering the current net book value and the number of remaining flight cycles.

1(o) Trade and other payables

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

Summary of Significant Accounting Policies (continued)

1(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and deducted from the Borrowing loans and amortised over the period of the facility to which it relates.

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

1(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. 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 management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1(r) Employee Benefits

(i) *Short-term obligations*

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

(ii) *Other long-term employee benefit obligations*

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

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

Summary of Significant Accounting Policies (continued)

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Alliance Aviation Services Limited Long Term Incentive plan (LTI). Information relating to these schemes is set out in note 24.

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

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. 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 rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iv) Bonus plans

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1(s) Contributed Equity

Ordinary shares are classified as equity (note 21).

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

1(t) Dividends

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

1(u) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

Summary of Significant Accounting Policies (continued)

1(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1(w) Rounding of Amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1(x) New Accounting Standards and Interpretations

(i) The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2014-1 Amendments to Australian Accounting Standards
- Interpretation 21 Accounting for Levies

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

New accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods.

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

Summary of Significant Accounting Policies (continued)

(ii) New standards and interpretations not yet adopted

Title of standard	Nature of impact	Impact	Mandatory application date/Date of adoption by group
AASB 9 Financial Instruments	AASB address the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rule for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	Following the changes approved by the AASB in December 2014, the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. There will also be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

Summary of Significant Accounting Policies (continued)

Title of standard	Nature of impact	Impact	Mandatory application date/Date of adoption by group
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	At this stage, the group is yet to undertake an assessment of the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.

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

Summary of Significant Accounting Policies (continued)

1(y) Parent Entity Financial Information

The financial information for the parent entity, *Alliance* Aviation Services Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of Alliance Aviation Services Limited.

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

2. Financial Risk Management

The group's activities expose it to a variety of financial risks including currency risk, interest rate risk, credit risk and liquidity risk. The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and aging analysis for credit risk. The group holds the following financial instruments:

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	**600**	239
Trade and other receivables	**24,528**	23,867
	25,128	24,106
Financial liabilities		
Trade and other payables	**22,978**	22,016
Borrowings	**85,140**	94,836
	108,118	116,852

2(a) Foreign Exchange Risk

The group has transactional currency risks arising from sales, purchases and loans payable in currencies other than the group's functional currency. The currencies giving rise to this risk are primarily US dollar and the Euro. Where possible, the risk is managed by forecasting and structuring of receipt and payment timings, the group has not used derivative products. Management utilise foreign exchange hedging to manage its risk to market volatility.

The group's exposure to foreign currency risk in the foreign currency at the end of the reporting period was as follows (the US dollar denominated bank loans were repaid during the financial reporting period and replaced by domestic denominated debt facilities):

	2015		2014	
	USD $'000	EURO $'000	USD $'000	EURO $'000
Bank loans	-	-	(20,000)	-
Trade payables	(1,384)	(1,028)	(1,819)	(804)

Sensitivity
At 30 June 2015, 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 $35k (2014: +/- $105k).

2(b) Interest Rate Risk

The group's main interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the group to cash flow interest rate risk.

The risk is managed by monitoring and selecting fixed interest rate periods; the group has not used derivative products.

Financial Risk Management (continued)

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

	2015		2014	
	Weighted Average Interest rate	**Balance**	Weighted Average Interest rate	Balance
	%	**$'000**	%	$'000
Bank loans	**3.2%**	**85,750**	3.2%	94,836
Net exposure to cash flow interest rate risk		**85,750**		94,836

*An analysis by maturities is provided in section 2(c) below. The weighted average interest rate excludes line fees associated with the debt facilities in its calculation.

Sensitivity
At 30 June 2015, if interest rates had been higher or lower by 5 basis points and all other variables held constant post tax profit for the year would have been higher/lower by $35k (2014: +/-31$k).

2(c) Credit Risk

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

Credit risk is managed by assessing the credit quality of counterparties taking into account their financial position, past experience and other factors. Generally the Group only transacts with entities with a high credit quality as evidenced by the absence of material defaults. The group's customers are principally focused on the resources industry, albeit over a range of commodities. Three customers, all of which have investment grade credit ratings, represent 48% of contract revenue.

The three customers are spread across 6 individual contracts with 6 mines. All contracts are negotiated independently and are spread across Queensland, South Australia and Western Australia.

The group considers the concentration risk low with the average of each contract representing no more than 7% of total revenue. The contracts are across no less than 6 different commodities.

Refer to note 11 for details of impaired receivables.

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

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation, and
- Default or delinquency in payments (more than 60 days overdue)

Financial Risk Management (continued)

2(d) Liquidity Risk

At the end of the reporting period the group held no deposits at call. (2014 $nil)

	2015 $'000	2014 $'000
Floating Rate		
Expiring within one year	**9,798**	19,326
Expiring beyond one year	**75,342**	75,510
	85,140	94,836

The working capital facility may be drawn at any time to its limit of $7,750k and is subject to annual review in February. The bank can withdraw the facility with 60 days written notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities have an average maturity of 3 years and expire on 5 July 2018.

The group underwent a refinance of the existing debt facilities which was originally due to expire on 31 October 2015 and subsequently extended to 28 February 2016. The refinance was successfully completed with all documentation signed on 25 June 2015 and settled on the 30 June 2015. All bank loans now have an expiration date of 5 July 2018.

The following funding arrangements were in place at 30 June 2015 and represent the contractual cash flow balances:

Funding Mechanism	Financier		Total debt available	Utilisation
	ANZ $'000	CBA $,000		
Term loan	39,000	43,000	80,750	80,750
Revolving capital expenditure facility	9,000	-	9,000	-
Working capital multi option facility	7,750	-	7,750	5,000
Total	55,750	43,000	97,500	85,750

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations relating to financial liabilities. The group manages this risk through the following mechanisms:

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

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.

Financial Risk Management (continued)

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

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 & 2 yrs	Between 2 & 5 yrs	Over 5 yrs	Total contractual cash flows	Carrying amount (Assets) /liabilities
As at 30 June 2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivates							
Trade payables	22,978	-	-	-	-	22,978	22,978
Borrowings	2,500	7,500	7,000	68,750	-	85,750	85,140
Total non-derivatives	**25,478**	**7,500**	**7,000**	**68,750**	**-**	**108,728**	**108,118**

As at 30 June 2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivates							
Trade payables	22,016					22,016	22,016
Borrowings	16,826	2,500	75,510	-	-	94,836	94,836
Total non-derivatives	**38,842**	**2,500**	**75,510**	**-**	**-**	**116,852**	**116,852**

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

2(e) Price Risk

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

3. Critical Estimates, Judgements and Errors

The preparation of financial statements requires the use of accounting estimates which, by definition will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 4 to 34. In addition this note also explains where there have been actual adjustments this year as a result of any changes to policy and changes to previous estimates.

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

Aircraft useful life

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

There are four principle groups of components of each aircraft which assist with the determination of the useful lives:

- The airframe;
- 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.
- Other significant components are also tracked individually which may also have a maintenance constraint; and
- Other Assets of each aircraft which are normally 'pooled' for which an effective life of 5 years is generally applied.

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

Overhead allocation

Aircraft refurbishment and major cyclical maintenance are capitalised to the carrying value of the aircraft and depreciated using the appropriate methodology depending on which component group it belongs.

The capitalised value includes the actual time allocated to these activities and also comprises an allocation of engineering overheads. This allocation is apportioned using the activities sourced from employee timesheets.

Depreciation

Management estimates the useful lives, depreciation method and residual values of property, plant and equipment based on the expected period of time over which economic benefits from use of the asset will be derived. Management reviews useful life assumptions on an annual basis,

Critical Estimates, Judgements and Errors (continued)

given consideration to variables, including historical and forecast usage rates, technological advancements and changes in legal and economic conditions.

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

Management continue to reflect the carrying value of all aircraft and across four component groups:

(i) Airframe;

(ii) Major components including engines, landing gears and other high value components;

(iii) Components which are readily identified and which a maintenance constraint which should determine the effective life and depreciation; and

(iv) All other assets of the aircraft.

Management assesses the most appropriate depreciation method for each of the individual assets identified in component groups (i), (ii) and (iii). The balance of other assets in component group (iv) have been pooled.

During the year the effective life of some specific assets has been revised down as a result of the implementation of the amended maintenance plan. This is because some maintenance has been brought forward to align with other required maintenance. This has resulted in a once off adjustment of $5.3 million in the current year.

Hedge Accounting

In accordance with Note 1(l) Alliance has previously recognised accumulated foreign currency exchange gains and losses in a reserve in equity. The foreign currency USD loans were recognised as a designated hedge in respect of the future cash proceeds from the sale of aircraft. The original hedge documentation provided that the instrument was in respect of the first USD20 million of the proceeds from the sale of the aircraft.

During the year two aircraft have been sold. The proceeds have been applied against the first USD20 million of proceeds for which the hedge was designated. As a result a significant portion of the equity reserves are required to be brought to account in the profit and loss in the current year.

During the year $2.9 million of the equity reserves have been brought to account.

Deferred Tax Assets

The group has $30.0 million of income tax losses as at 30 June 2015.

During the current year the sale of property plant and equipment together with the outright deduction of the ongoing capital maintenance program has resulted in a net deferred tax asset whereas it has been a net deferred tax liability in previous years.

The group has elected to not recognise a net deferred tax asset from tax losses. This is because the remaining tax depreciation base from maintenance expenditure in previous years to be claimed in future years, is likely to mean that that the full amount of tax losses may not be realised within 5 years.

The group does expect to realise the full amount of tax losses in future years.

Critical Estimates, Judgements and Errors (continued)

Revenue recognition

The group recognises revenue once it can be reasonably estimated. The measurement of revenue is based on the percentage of services performed, which is mainly on a per flight basis.

Indicators of impairment of assets

The group follows the guidance of AASB 136 *Impairment of Assets* each year to determine whether any indicators of Impairment exist i.e. whether assets are carried at amounts in excess of their recoverable value. Recoverable amount of an asset or cash generating unit (CGU) is defined as the higher of its fair value less costs to sell or its value in use. This determination requires significant judgement and is outlined further in Note 5.

4. Segment Information

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

The Board considers the business has one reportable segment being the provision of aircraft charter services. 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.

5. Impairment of Specific Assets

Management assessed impairment at 31 December 2014 and 30 June 2015.

On the 22nd December 2014, the Board of Directors approved the impairment of value of the cash generating unit by $45,266K across the following asset classes:

As at 30 June 2014	$'000	Allocation
Inventory	3,563	Inventory
Airframes (excl. F100 engines)	30,600	Aircraft Assets
Pool of F100 engines	10,800	Aircraft Assets
Other intangibles	303	Aircraft Assets
Total	45,266	

This impairment was a result of a material change in the financial outlook of the company as a result of a variation of three contracts which was disclosed in December 2014. The carrying value of the assets was adjusted to $184,967K.

Historically the carrying value of aircraft has been a representation of the cost to acquire the aircraft and the capital cost incurred to introduce these aircraft into service in Australia. Also included have been subsequent capital maintenance costs. With recent changes in external factors, the Directors formed the view that a detailed impairment calculation based on a value in use model was required in accordance with the accounting standards.

In accordance with the accounting standard, this review was conducted as follows:

- The calculation used the operating cash flows of FY 15 and FY 16 as the base with a growth rate of 2.5%;
- The discount rate applied was a post-tax rate of 10.5%;
- An adjustment for working capital has been included; and
- Forecast capital expenditure is a product of the amended maintenance program.

Impairment (continued)

As Alliance operates a fleet of aircraft and the fleet is substantially interchangeable between contracts and locations, maintains the fleet centrally and does not measure the profitability of geographical locations, the Directors consider that Alliance Airlines only has one CGU.

In considering the carrying value of property plant and equipment, the Directors have also reviewed the carrying value of inventory. Inventory is required to be carried at the lower of cost and net realisable value.

A further assessment of impairment has been completed at 30 June 2015. An impairment loss was recognised in December 2014, and as expected there is only a small difference between the carrying value of assets and the net present value based on a value in use assessment. Sensitivity completed concluded that a 3-5% reduction in revenue without a corresponding increase in the EBITDA margin or a 0.5% to 1.0% increase in the discount rate could give rise to a further impairment.

The impairment loss is included as an expense in the income statement.

6. Revenue from continuing operations

	2015 $'000	2014 $'000
From continuing operations		
Contract revenue	**173,502**	167,422
Charter / Wet leasing revenue	**18,219**	32,087
Other revenue *	**7,735**	687
	199,456	200,196

*Other revenue includes profit on the sale of inventory to the amount of $3.4 million, supplier rebates totalling $2.1 million, aircraft lease fees of $0.6 million and spare parts sales of $1.3 million.

7. Other Income

	2015 $'000	2014 $'000
Foreign exchange gains (net)	**244**	315
Interest income	**36**	41
	280	356

8. Expenses

	2015 $'000	2014 $'000
Profit before tax includes the following specific expenses:		
Flight and operations costs		
Flight and operating costs	**(82,856)**	(87,350)
Engineering and Maintenance costs		
General engineering and maintenance costs	**(892)**	(2,964)

Expenses (continued)

Office and General Administration costs		
General administration costs	**(8,953)**	(9,507)
Loss on disposal of property, plant and equipment	**(3,243)**	(27)
Finance costs		
Interest expense	**(4,935)**	(4,231)
Employee costs		
Flight operations	**(8,364)**	(8,706)
Engineering and maintenance	**(22,215)**	(20,135)
Office and General Administration	**(5,829)**	(4,988)
Flight crew	**(24,320)**	(24,519)
Sales	**(199)**	(358)
	(60,927)	(58,705)
Rental expenses relating to operating leases		
Minimum lease payments	**(2,163)**	(4,231)
Impairment losses		
Property, Plant and Equipment (refer note 5)	**(45,266)**	-
Hedge Reserve		
FX reserve release (refer note 22)	**(2,942)**	-

9. Income Tax Expense

	Notes	2015 $'000	2014 $'000
(a) Income tax expense:			
Current tax		**(2,740)**	4,352
Adjustments for current tax of prior periods		**-**	(195)
		(2,740)	4,157
Deferred income tax (revenue) expense included in the income tax expense comprises:			
Decrease/(increase) in deferred tax assets	14	**4,315**	(154)
(Decrease)/increase in deferred tax liabilities	19	**(6,927)**	6,569
		(2,612)	6,415
Income tax (benefit) / expense on profit from continuing operations		**(2,740)**	4,157
Effective tax rate		**7.0%**	28.8%

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

	2015 $'000	2014 $'000
Profit / (loss) before income tax expense	**(39,323)**	14,421
Tax at the Australian Corporate tax rate of 30% (2013: 30%)	**(11,796)**	4,326
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry	**20**	26
	(11,776)	4,352
De-recognition of DTA of carry forward tax losses	**9,036**	-
Prior year current tax expense adjustment	**-**	(195)
Income tax (benefit) / expense	**(2,740)**	4,157

During the current year the following DTA has been derecognised:

	Tax Losses $'000	DTA $'000
Previous Years Tax Losses Derecognised	**10,885**	3,236
2015 Income Tax Losses not recognised	**19,334**	5,800
	30,219	9,036

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

	Notes	2015	2014
Net deferred tax - debited (credited) directly to equity	14, 21	-	-
		-	-

Income Tax Expense (continued)

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

Changes in the fair value of cash flow hedges	19, 22	**472**	(370)

10. Current Assets – Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	**600**	239
	600	239

10(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows

	2015 $'000	2014 $'000
Balances as above	**600**	239
Balances per consolidated statement of cash flows	**600**	239

10(b) Risk exposure

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

11. Current Assets – Trade and Other Receivables

	2015 $'000	2014 $'000
Trade receivables	**20,531**	17,870
Provision for impairment of receivables – refer section 11(a)	**(536)**	-
	19,995	17,870
Other receivables – refer section 11(c)	**3,291**	3,313
Prepayments	**1,242**	2,684
	4,533	5,997
	24,528	23,867

11(a) Impaired trade receivables

As at 30 June 2015 $536k of trade receivables of the group was impaired. (2014 - $nil)

Movements in the provision for impairment of receivables are as follows:

	2015 $'000	2014 $'000
At 1 July 2014	**-**	-
Provision for impairment recognised during the year	**536**	-
Receivables written off during the year as uncollectible	**-**	-
Unused amount reversed	**-**	-
At 30 June 2015	**536**	-

Current Assets – Trade and Other Receivables (continued)

The creation of the provision for impaired receivables has been included as a reversal against revenue from continuing operations in profit or loss. Amounts charged to the provision account are written off where there is no expectation of recovering additional cash.

11(b) Past due but not impaired

As at 30 June 2015, trade receivables of $8,922k (2014 - $5,587k) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 $'000	2014 $'000
Up to 3 months	**6,890**	5,157
3 to 6 months	**2,032**	430
	8,922	5,587

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables (see note 2(b)).

11(c) Other Receivables

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

11(d) Foreign exchange and interest rate risk

The group does not have any exposure to foreign currency risk and interest rate risk in relation to trade and other receivables.

11(e) Fair value and credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

There are no securities held over the receivables.

12. Current Assets – Inventories

	2015 $'000	2014 $'000
Inventory	**24,699**	24,379
	24,699	24,379

Amounts recognised in profit or loss

Inventory recognised as an expense during the year ended 30 June 2015 amounted to 1,050k (2014: $3,514k), and included in engineering expenses.

Write-down of inventories to net realisable value recognised as an impairment loss during the year ended 30 June 2015 amounted to $222k (2014: $873k). This is in addition to the impairment recognised as part of note 5 to the amount of $3,563K.

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

13(a) Property, plant and equipment

	Aircraft Assets	Property, plant and equipment	Total
At 30 June 2013			
Cost	275,266	15,479	290,745
Accumulated depreciation	(66,271)	(8,193)	(74,464)
Net book value as on 30 June 2013	208,995	7,286	216,281
Year ended 30 June 2014			
Opening net book amount	208,995	7,286	216,281
Additions	42,455	1,831	44,286
Transfers	(17,685)	-	(17,685)
Disposals - cost	(3,543)	(1,247)	(4,790)
Disposals - accumulated depreciation	785	1,239	2,024
Depreciation charge	(19,963)	(1,996)	(21,959)
Net book value as on 30 June 2014	211,044	7,113	218,157
At 30 June 2014			
Cost	296,493	16,063	312,556
Accumulated depreciation	(85,449)	(8,950)	(94,399)
Net book value	**211,044**	**7,113**	**218,157**
Year ended 30 June 2015			
Opening net book amount	211,044	7,113	218,157
Additions (i)	48,300	1,940	50,240
Transfers	(12,136)	-	(12,136)
Disposals – cost (i)	(26,534)	(37)	(26,571)
Disposals - accumulated depreciation	10,593	19	10,612
Depreciation charge	(25,594)	(2,286)	(27,880)
Impairment charge (ii)	(41,703)	-	(41,703)
Closing net book value	**163,970**	**6,749**	**170,719**

(i) Sale and purchase of property, plant and equipment

During the year there were three transactions which had a material impact to the value of aircraft assets.

- Termination of the Parts Sale Agreement with Total Aviation in August 2014.
- Sale of two F100 aircraft. The sale was recognised on the 23 June 2015 being the disposal date. The disposal included the sale of two airframes and four engines from the Rolls Royce Engine Pool.
- Purchase of one F50 aircraft as a result of the payout of the residual payment of a finance lease liability. The finance lease liability was reduced to nil with the asset allocated to the fixed asset register.

(ii) Impairment charges

Refer to note 5 – the whole amount was recognised as an impairment loss in the profit or loss.

Non-current assets pledged as security

Refer to note 17(a) for information on non-current assets pledged as security by the group.

Non-Current Assets – Property, Plant and Equipment (continued)

The Aircraft and APUs includes the following amounts where the group is a lessee under a finance lease:

	2015 $'000	2014 $'000
Aircraft		
Capitalised Lease	**-**	1,948
Accumulated depreciation	**-**	(318)
Net book value	**-**	1,630

On the 26 June 2015, the residual payment of VH-FKO (F50) was paid which completed the previously recognised finance lease.

14. Non-Current Assets – Deferred Tax Assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**-**	3,227
Employee benefits	**1,938**	1,816
Property, plant and equipment	**1,289**	1,890
	3,227	6,933
Other		
Cash flow hedges	**96**	425
Accruals	**56**	76
Provision for warranties and legal costs	**3**	24
Share issue expenses	**356**	650
Prepayments	**55**	-
Sub-total other	**566**	1,175
Total deferred tax assets	**3,793**	8,108
Set-off of deferred tax liabilities pursuant to set-off provisions	**3,793**	8,108
Net deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**1,210**	938
Deferred tax assets expected to be recovered after more than 12 months	**2,583**	7,170
	3,793	8,108

Non-Current Assets – Deferred Tax Assets (continued)

Movements	Tax losses $'000	Employee benefits $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2013	**114**	**1,863**	**4,803**	**1,328**	**8,108**
(Charged)/credited					
-to profit or loss	3,113	(47)	(2,913)	(153)	**-**
-to other comprehensive income	-	-	-	-	**-**
-directly to equity	-	-	-	-	**-**
At 30 June 2014	**3,227**	**1,816**	**1,890**	**1,175**	**8,108**
(Charged)/credited					
-to profit or loss	(3,227)	122	(601)	(137)	**(3,843)**
-to other comprehensive income	-	-	-	-	**-**
-directly to equity	-	-	-	(472)	**(472)**
At 30 June 2015	**-**	**1,938**	**1,289**	**566**	**3,793**

Tax losses

Unused tax losses for which no deferred tax asset has been recognised:

	2015 $'000	2014 $'000
Tax losses not utilised	**30,087**	10,752
Potential tax benefit at 30%	**9,026**	3,227

15. Current Liabilities – Trade and Other Payables

	2015 $'000	2014 $'000
Trade payables	**17,374**	13,704
Other payable	**5,604**	8,312
	22,978	22,016

15(a) Risk exposure

Information about the group's exposure to foreign exchange risk is provided in note 2.

16. Current Liabilities – Borrowings

	2015 $'000	2014 $'000
Secured		
Bank Loans (i)	**10,000**	**18,000**
Borrowing Costs	**(202)**	**-**
Total current borrowings	**9,798**	**18,000**

(i) Represents the drawn amount of the working capital facility with a limit set to $7,750k, 12 months of amortisation payments due and the borrowing costs capitalised. The working capital facility is subject to an annual review in February and expires on 5 July 2018.

Current liabilities - Borrowings (continued)

16(a) Security and Fair Value Disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 17.

16(b) Risk Exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 2.

17. Current Liabilities – Provisions

	2015 $'000	2014 $'000
Employee benefits – Annual Leave	**3,846**	3,819
Employee benefits – Long Service Leave	**999**	694
	4,845	4,513

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

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

18. Non-Current Liabilities – Borrowings

	2015 $'000	2014 $'000
Secured		
Bank loans	**75,750**	**75,510**
Borrowing Costs	**(408)**	
Finance lease liabilities	**-**	**1,326**
Total non-current borrowings	**75,342**	**76,836**

18(a) Secured liabilities and assets pledged as security

	2015 $'000	2014 $'000
Bank overdrafts and bank loans	**85,750**	93,510
Total secured liabilities	**85,750**	93,510

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

Non-Current Liabilities – Borrowings (Continued)

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

- To maintain a debt service cover ratio which exceeds 1.25 times;
- To retain the existing pricing a leverage ratio less than 2.0 times but not exceed 2.50 times;
- A loan value ratio where the value of the total debt does not exceed 85% of the independent valuation of the aircraft; and
- A borrowing base ratio where the working capital facility does not exceed 60% of the total trade debtors.

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

	2015 $'000	2014 $'000
Current		
Floating charge		
Cash and cash equivalents	**600**	239
Receivables	**24,528**	23,867
	24,699	24,379
Total current assets pledged as security	**49,827**	48,485
Non-current		
First mortgage		
Aircraft	**163,970**	177,560
Floating charge		
Plant and equipment	**6,749**	7,113
Total Non-current assets pledged as security	**170,719**	184,673
Total assets pledged as security	**220,546**	233,158

18(b) Fair value

For all the 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. The carrying amounts and fair values of borrowings at the end of reporting period are:

	2015		2014	
	Carrying amount $'000	Fair Value $'000	Carrying amount $'000	Fair Value $'000
Financial liabilities				
Bank loans	**85,140**	**85,140**	80,510	80,510
Bills payable	**-**	**-**	13,000	13,000
Other loans	**-**	**-**	1,326	1,326
	85,140	**85,140**	94,836	94,836

18(c) Risk exposures

Information about the group's exposure to interest rate and foreign exchange risk is provided in note 2.

Alliance Aviation Services Limited has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

19. Non-Current Liabilities – Deferred Tax Liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**3,740**	10,587
Prepayments	**-**	80
Cash flow hedges	**53**	53
Sub-total other	**3,793**	10,720
Total deferred tax liabilities	**3,793**	10,720
Set-off of deferred tax assets pursuant to set-off provisions (note 22)	**3,793**	8,108
Net deferred tax liabilities	**-**	2,612
Deferred tax liabilities expected to be recovered within 12 months	**256**	133
Deferred tax liabilities expected to be recovered after more than 12 months	**3,537**	10,857
	3,793	10,720

Movements	Property, plant and equipment $'000	Prepayments $'000	Other $'000	Total $'000
At 30 June 2013	**5,061**	**240**	**(626)**	**4,676**
(Charged)/credited				
-to profit or loss	5,526	(160)	1,049	**6,415**
-to other comprehensive income			(370)	**(370)**
At 30 June 2014	**10,587**	**80**	**53**	**10,720**
(Charged)/credited				
-to profit or loss	(6,847)	(80)	-	**(6,927)**
-to other comprehensive income				
At 30 June 2015	**3,740**	**-**	**53**	**3,793**

20. Non-Current Liabilities – Provisions

	2015 $'000	2014 $'000
Employee benefits – long service leave	**1,616**	1,541
	1,616	1,541

21. Contributed Equity

	Notes	2015 No. of shares	2014 No. of shares	2015 $'000	2014 $'000
Issued ordinary shares - fully paid		**90,000000**	90,000,000		
21(a) Movement in ordinary share capital:					
At the beginning of the financial period		**106,064,805**	105,542,373	**172,366**	171,766
Dividend reinvestment plan issues		**364,833**	522,432	**471**	600
Deferred tax credit recognised in equity	9, 14	**-**	-		
At the end of the financial period		**106,429,638**	106,064,805	**172,837**	172,366

21(b) 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.

21(c) 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.

21(d) Rights

Information relating to the Alliance Aviation Services Limited's LTI, including details of rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the reporting period, is set out in note 24.

21(e) Capital risk management

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

21(f) Share buy-back

There is no current on-market buy-back.

22. Reserves and Retained Earnings

	Notes	2015 $'000	2014 $'000
(a) Reserves			
Reserves		**(111,083)**	(111,083)
Cash flow hedge reserve		**(2,181)**	(1,079)
Share-based payment reserve		**332**	332
		(112,932)	(111,830)
Movements:			
Reorganisation (i)			
Balance - 1 July 2014		**(111,083)**	(111,083)
Balance - 30 June 2015		**(111,083)**	(111,083)
Movements:			
Cash flow hedge reserve (ii)			
Balance - 1 July 2014		**(1,080)**	(1,943)
Currency translation		**(1,573)**	1,233
Deferred tax	9, 19	**472**	(370)
		(1,101)	863
Balance - 30 June 2015		**(2,181)**	(1,080)

(b) Retained earnings

Movement in retained earnings were as follows:

	2015 $'000	2014 $'000
Balance - 1 July	**84,854**	84,300
Dividends paid	**(2,227)**	(9,710)
Net profit/(loss) for the year	**(36,583)**	10,264
Balance - 30 June	**46,044**	84,854

22(a) Nature and purpose of other reserves

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

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

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

23. Dividends

	2015 $'000	2014 $'000
(a) Ordinary shares		
In respect of FY ended 30 June 2013, a further fully franked dividend of 5.6 cents per fully paid ordinary shares was paid out of retained earnings on 8 October 2013.		5,910
In respect of FY ended 30 June 2014, a fully franked dividend of 3.6 cents per fully paid ordinary shares was paid out of retained earnings on 25 June 2014.		3,800
In respect of FY ended 30 June 2015, a further fully franked dividend of 2.1 cents per fully paid ordinary shares was paid out of retained earnings on 9 October 2014.	**2,227**	
(b) Franked credits		
Franking credits available for subsequent reporting based on a tax rate of 30% (2014: 30%)	**22,356**	29,137

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

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

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

24. Key Management Personnel Disclosures

24(a) Key management personnel compensation

	2015 $'000	2014 $'000
Short-term employee benefits	**1,636,418**	1,669,142
Post-employment benefits	**112,176**	146,071
Long-term benefits	**19,013**	50,450
Termination benefits	**200,000**	346,423
Share-based payments	**-**	-
	1,952,123	2,212,086

Detailed remuneration disclosures are provided in the remuneration report on page 13.

24(b) Loans to key management personnel

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

Key Management Personnel Disclosures (continued)

24(c) Other transactions with key management personnel

Former director, Mr Hugh Jones (resigned 6th May 2013), is a director and shareholder of Airwork Group of companies. Alliance Aviation Services Limited entered into a contract with Airwork Flight Operations Pty Ltd last the year for the lease of a Boeing 737. The contract was based on normal commercial terms and conditions.

This lease expired in December 2013 and the aircraft was returned to Airwork Flight Operations Pty Ltd.

The Chairman and director, Mr Steve Padgett, is a director and shareholder of Aeromil Pacific Pty Ltd. Alliance Aviation Services Limited has a contract with Aeromil Pacific Pty Ltd for the lease of premises and purchase of parts and engineering services. The contracts were based on normal commercial terms and conditions.

Former General Manager – Commercial, Ken Crawford was been retained on a consulting basis during the period 1 January 2014 to 30 June 2014 to provide specialist marketing and business development services. The contract for the provision of services was based on monthly retainer and daily rate.

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

	2015 $	**2014 $**
Lease of aircraft from Airwork Flight Operations Pty Ltd	**-**	1,259,250
Lease of premises from Aeromil Pacific Pty Ltd	**8,108**	-
Purchase of engineering services from Aeromil Pacific Pty Ltd	**-**	7,500
Payment of Consulting Services to Kenneth Burns Crawford	**-**	268,371
	8,108	1,535,121

	2015 $	2014 $
Current payables		
Airworks Flight Operations Pty Ltd	**-**	-
Kenneth Burns Crawford	**-**	38,500
	-	38,500

25. Remuneration of Auditors

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

	2015 $	2014 $
25(a) PWC Australia		
▪ Audit and other assurance services		
Audit and review of financial statements	**222,640**	169,996
Other assurance services	**-**	33,704
Corporate Advisory Services	**-**	167,889
Total remuneration for audit and other assurance services	**222,640**	371,589
Taxation services		
Tax advice and compliance services	**65,613**	134,631
Total remuneration for taxation services	**65,613**	134,631
Total auditor's remuneration	**288,253**	506,220

It is the group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the group are important. PwC will not be used where it could affect their independence.

26. Contingencies

Contingent liabilities

Alliance has on issue four bank guarantees relating to existing leases, totalling $0.5 million (2014: $NIL).

27. Commitments

Capital commitments

Alliance has no capital commitments at 30 June 2015(2014: $NIL). The group is party to a Totalcare Services Agreement with Rolls-Royce Tay for the maintenance of 650-15 engines. The agreement is based on hours only.

Lease commitments: group as lessee

Non-cancellable operating leases

The group leases various offices and warehouses under non-cancellable operating leases expiring within two to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments (continued)

	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,466**	2,163
Later than one year buy not older than five years	**4,506**	5,289
Later than five years	**2,801**	3,484
	8,773	10,936

Finance leases

	2015 $'000	2014 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**-**	331
Later than one year buy not older than five years	**-**	-
Later than five years	**-**	-
	-	331
Representing lease liabilities:		
Current	**-**	331
Later than five years	**-**	-
	-	331
The present value of finance lease liabilities is as follows:		
Within one year	-	331
Later than one year buy not older than five years	-	-
Later than five years	-	-
	-	**331**

28. Related Party Transactions

28(a) Parent entities

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

28(b) Subsidiaries

Interests in subsidiaries are set out in note 29.

28(c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

29. Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of Shares	Equity holding **	
			2015	**2014**
			%	%
Alliance Airlines Pty Ltd	Australia	**Ordinary**	**100**	100
Alliance Leasing No.1 Pty Ltd	Australia	**Ordinary**	**100**	100
Alliance Leasing No.2 Pty Ltd	Australia	**Ordinary**	**100**	100
Alliance Leasing No.3 Pty Ltd	Australia	**Ordinary**	**100**	100
Jet Engine Leasing Pty Ltd	Australia	**Ordinary**	**100**	100
Avoco Pty Ltd	Australia	**Ordinary**	**100**	100

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

30. Events Occurring After the Reporting Period

On 4 August 2015, Alliance announced that it intended to close the Brisbane heavy maintenance base in August 2014. This closure will result in between 20 and 25 redundant position. It will give rise to an estimated redundancy cost of between $500k and $1,000k.

There is no impact on the financial position of Alliance as at 30 June 2015.

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

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

	2015 $'000	2014 $'000
Profit for the year	**(36,583)**	10,264
Depreciation and amortisation	**27,880**	22,831
Non-cash impairment loss	**45,266**	-
Net (gain)/loss on sale of inventory	**(3,410)**	**-**
Net (gain)/loss on sale of non-current assets	**3,243**	27
Release of FX Reserve	**2,246**	-
Net (gain)/loss on foreign exchange differences	**(244)**	(315)
Change in operating assets and liabilities,		
(Increase)/decrease in trade debtors and bills of exchange	**(2,661)**	(3,598)
(Increase)/decrease in inventories	**(320)**	(7,511)
(Increase)/decrease in prepayments	**2,000**	5,271
(Increase)/decrease in deferred tax assets	**-**	(154)
(Decrease)/increase in trade creditors	**3,668**	841
(Decrease)/increase in other operating liabilities	**(2,707)**	2,822
(Decrease)/increase in provision for income taxes payable	**(4,285)**	(7,037)
(Decrease)/increase in deferred tax liabilities	**(2,612)**	6,199
(Decrease)/increase in other provisions	**408**	(155)
Net cash inflow (outflow) from operating activities	**31,889**	29,485

32. Earnings Per Share

	2015 Cents	2014 Cents
32(a) Basic Earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company.	**(34.41)**	9.72
32(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	**(34.41)**	9.72

32(c) Reconciliations of earnings used in calculating earnings per share

	2015 $'000	2014 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(36,583)**	10,264
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(36,583)**	10,264

Earnings per share (continued)

32(d) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**106,328,684**	105,549,530
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**106,328,684**	105,549,530

32(e) Information concerning the classification of securities

Rights
Rights granted to employees under the Alliance Aviation Services Limited LTI 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. There are no rights outstanding as at 30 June 2015. Details relating to the rights are set out in note 33.

33. Share – Based Payments

33(a) Long term incentive plan

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

The LTI was implemented on 20 December 2011 with an initial grant of rights to the Managing Director. These rights lapsed on 30 June 2014.

There were no long term incentives issued during the year and there has been no previous issue of any shares since the plan was introduced in December 2011.

33(b) Expenses arising from share-based payment transactions

There were no expenses arising from share-based payment transactions recognised during the period.

34. Parent Entity Financial Information

Summary Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 $000	2014 $000
Balance sheet		
Current assets	2	2
Non Current Assets	67,230	52,431
Total assets	67,232	52,433
Current liabilities	20	(4,266)
Non Current liabilities	-	2,710
Total liabilities	20	(1,556)
Net Assets	67,212	53,989
Shareholders' equity		
Issued capital	172,914	172,443
Reserves	(110,691)	(111,625)
Share-based payments	332	332
Retained earnings	(7,160)	(6,808)
Retained earnings – current year	11,817	(353)
	67,212	53,989
Profit or loss for the year	11,817	(353)

(b) Guarantees entered into by the parent entity

	2015 $ 000's	2014 $ 000's
Carrying amount included in current liabilities	-	-
	-	-

Directors' Declaration

In the directors' opinion:

- The financial statements and notes set out on pages 30 to 69 are in accordance with the *Corporations Act 2001,* including
- complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

S Padgett
Chairman
Date: 13 August 2015
Sydney

Independent Auditor's Report to the Members

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

Report on the financial report

We have audited the accompanying financial report of Alliance Aviation Services Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Alliance Aviation Services Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101*Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Alliance Aviation Services Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 20 of the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion

In our opinion, the remuneration report of Alliance Aviation Services Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Timothy J Allman
Partner

Brisbane
13 August 2015

Corporate Information

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2015.

Distribution of equity securities

Analysis of number of equity security holders by size of holding

Size of equity holder	No. of holders
1- 1,000	131
1,001 – 5,000	235
5,001– 10,000	86
10,001 – 100,000	134
>100,000	26
Total	**612**

There were 9 holders of less than a marketable parcel or ordinary share.

Equity security holders

Twenty largest quote equity security holders

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

	Ordinary Shares	
Equity Holder	**Number held**	**% of issued shares**
HSBC Custody Nominees (Australia) Ltd	19,472,777	18.30%
Airlift Holdings Limited	11,314,476	10.63%
Airline Investments Australia Pty Limited	9,962,303	9.36%
Citicorp Nominees Pty Limited	9,757,049	9.17%
Mount Craigie Holdings Pty Limited	8,422,981	7.91%
National Nominees Limited	7,830,918	7.36%
Aust Executor Trustees Ltd	7,093,335	6.66%
RBC Investor Services Australia Nominees Pty Ltd (PI POOLED A/C)	4,973,898	4.67%
RBC Investor Services Australia Nominees Pty Ltd (PICREDIT)	4,863,490	4.57%
J P Morgan Nominees Australia Limited	3,169,911	2.98%
BNP Paribas Noms Pty Ltd (DRP	3,031,608	2.85%
AMP Life Limited	2,220,631	2.09%
RBC Investor Services Australia Nominees Pty Ltd (PISELECT)	977,643	0.92%
RBC Investor Services Australia Nominees Pty Ltd (BKCust A/C)	872,262	0.82%
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	802,621	0.75%
Investment Custodial Services	535,600	0.50%
HSBC Custody Nominees (Australia) Ltd (NT-Comnwlth Super Corp A/C)	475,114	0.45%
Mrs Wanda Susan Drennan	458,000	0.43%
NSR Investments	450,000	0.42%
ABN AMRO Clearing Sydney (CUSTODIAN A/C)	426,129	0.40%
Total	**97,110,746**	**91.24%**
Balance of register	**9,318,892**	**8.76%**
Total equity security holding	**106,429,638**	**100.00%**

Corporate Information

Substantial holders

Substantial holders in the company are set out below

NAME	Ordinary Shares	
	Number held	% of issued shares
HSBC Custody Nominees (Australia) Ltd	19,472,777	18.30%
Airlift Holdings Limited	11,314,476	10.63%
Airline Investments Australia Pty Limited	9,962,303	9.36%
Citicorp Nominees Pty Limited	9,757,049	9.17%
Mount Craigie Holdings Pty Limited	8,422,981	7.91%
National Nominees Limited	7,830,918	7.36%
Aust Executor Trustees Ltd	7,093,335	6.66%

Voting Rights

The voting rights attaching to each ordinary share are on a show of hands 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.