

*Aviation in Crisis*

**HALF-YEAR  
FINANCIAL REPORT**

REGIONAL EXPRESS HOLDINGS LIMITED  
ACN 099 547 270 (ASX CODE: REX)

# REGIONAL EXPRESS HOLDINGS LIMITED

ACN 099 547 270 (ASX CODE: REX)

APPENDIX 4D: RESULTS FOR ANNOUNCEMENT TO THE MARKET & HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

ALL AMOUNTS ARE PRESENTED IN AUSTRALIAN DOLLARS, UNLESS OTHERWISE NOTED.

## ASX APPENDIX 4D

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2013 \$M	31 Dec 2012 \$M	Change \$M	Change %
Revenue	129.3	135.4	-6.1	-4.5
Profit from ordinary activities after tax attributable to members	3.6	9.0	-5.4	-60.0
Net profit for the period attributable to members	3.6	9.0	-5.4	-60.0
	Amount per share		Franked amount per share	
Interim dividend	Nil		Nil	
Final dividend	Nil		Nil	
Record date for determining entitlements	NA		NA	
	31 Dec 2013 \$	31 Dec 2012 \$	Change %	
Net tangible assets per ordinary share	1.60	1.52	5.3	

### EXPLANATION OF RESULTS

The first half of FY 2014 saw a small reduction of 0.6% in the passenger airline's Available Seat Kilometres (ASKs) against the same period last year. Passenger numbers fell by 5.1% due to continued sluggish economic conditions. As a result, the Group's revenue reduced by 4.5% to \$129.3 million.

Total costs over this period did not change significantly from the same period last year, increasing only by 0.4% to \$125.1 million, with the airline still bearing the effects of the carbon tax and cessation of the En-route rebate scheme.

As foreshadowed in the profit warning issued on 7 February 2014, the Group's profit before tax for the period slumped by 59.8% to \$5 million.

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# DIRECTORS' REPORT

The directors of Regional Express Holdings Limited ('Rex') submit herewith the financial report for the half-year ended 31 December 2013.

The names and details of the Company's directors in office during the half-year and until the date of this report are as below:

NAME	TITLE
Lim Kim Hai	Executive Chairman
The Hon. John Sharp	Deputy Chairman and Independent Director
Garry Filmer	Chief Operating Officer
Chris Hine	Executive Director
James Davis	Independent Director
Lee Thian Soo	Non-Executive Director
Ronald Bartsch	Independent Director

## REVIEW OF OPERATIONS

### Summary Review

Network capacity remained stable with a decline of 0.6% in Available Seat Kilometres (ASKs). Passenger numbers declined 5.1% in the period. This resulted in a drop in load factor by 2.7 percentage points.

Fuel cost increased 3.4% over the period which incorporated a scheduled increase in excise duty associated with the carbon tax that was effective from July 2013.

Pilot attrition for the period under review was lower than historical averages. This reduction in resignations, along with seven direct entry SAAB captains from Europe in August 2013, as well as internal promotions, will strengthen our Captain establishment requirements in early 2014.

### Key Performance Indicators Table

	1H FY 2014	1H FY 2013	Change
Passengers	548,303	577,873	- 5.1%
ASK	382.2 M	384.6 M	- 0.6%
Load Factor	54.1%	56.8%	- 2.7% pts
Passenger Revenue/ASK	27.4c	28.4c	-3.5%
Total pax cost/ASK	28.5c	27.9c	2.2%
Fuel % Total Cost	16.8%	16.3%	+0.5% pts

### Route Network Developments

There were no significant network route developments within the first half of FY 2014. In the prior six months (second half of FY 2013) Rex capacity was redeployed from the Dubbo to Sydney route to the Wagga Wagga to Sydney route in response to security screening costs imposed at Dubbo airport by the Dubbo City Council. The changes were consolidated in the first half of FY 2014 with Rex passenger numbers on the Wagga Wagga to Sydney route increasing 25% above the corresponding prior year period, which exceeded the 18% increase in capacity.

There were no other significant changes in network capacity. Waning demand did contribute to some necessary frequency reductions across the network, however this was balanced with providing necessary day return frequency on most routes.

In mid December 2013, Brindabella Airlines were placed into receivership. Rex competed with Brindabella Airlines on the Sydney to Newcastle and Sydney to Orange routes, and a review of those routes commenced in January 2014.

# DIRECTORS' REPORT

## Fleet Changes

	SAAB 340A Owned	SAAB 340A Freighters Owned	SAAB 340B Owned	SAAB 340B and B+ Leased	Total Leased	Total Owned	Total Fleet
As at 31 Dec 13	1	3	29	18	18	33	51
As at 30 Jun 13	1	3	22	25	25	26	51

On 2 July 2013, Rex took ownership of 7 of the 25 leased Saab 340*plus* model aircraft.

## Community, Environment and Service Standards

In the first half of FY 2014, Rex's On Time Departure rate of 87.98% was ranked the best of all the major carriers in Australia according to the Bureau of Infrastructure, Transport and Regional Development (BITRE). Rex's cancellation rate of 0.63% was also the lowest of all the major carriers in Australia. In comparison, Rex's major competitor QantasLink was ranked 5th with 79.52% On Time Departures, and had a cancellation rate of 2.6%, that is more than four times higher than the Rex cancellation rate in the same period.

Rex continued to demonstrate its commitment in giving back to regional communities, contributing over \$111 thousand to various worthy causes, ranging from fundraisers to important community events.

Rex registered for the EEO (Energy Efficient Opportunities) programme on 11 November 2007 and has since embarked on various initiatives to reduce energy consumption, in turn reducing emissions. Rex registered for the NGER (National Greenhouse and Energy Reporting programme on 25 February 2009 and has since submitted NGER reports for FY 2009, FY 2010, FY 2011, FY 2012 and FY 2013.

The first, second, third, fourth, fifth and sixth public reports on the initiatives undertaken by Rex in response to the Energy Efficient Opportunities programme have been submitted to the Department of Resources, Energy and Tourism and are available on the Rex website.

In December 2013, Rex was voted by the Australian Traveller Readers' Choice Awards Survey as the "Best Australian Regional Airline" for the second time ahead of Qantas and Virgin. Rex won the same category in 2011, the Awards' inaugural year, and was a finalist in 2012.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the half-year report.

## ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Garry Filmer

Director

Sydney, 26 February 2014

# AUDITORS' INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu  
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The Board of Directors  
Regional Express Holdings Limited  
81 – 83 Baxter Road  
MASCOT NSW 2020

26 February 2014

Dear Board Members

## Regional Express Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Regional Express Holdings Limited.

As lead audit partner for the review of the financial statements of Regional Express Holdings Limited for the financial half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

BJ Pollock  
Partner  
Chartered Accountant

# INDEPENDENT AUDITOR'S REPORT



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## Independent Auditor's Review Report to the members of Regional Express Holdings Limited

We have reviewed the accompanying half-year financial report of Regional Express Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 18.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Regional Express Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

# INDEPENDENT AUDITOR'S REPORT



## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Regional Express Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Regional Express Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "BJ Pollock".

BJ Pollock  
Partner  
Chartered Accountants  
Sydney, 26 February 2014

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	HALF-YEAR ENDED	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Passenger revenue	104,961	109,156
Freight revenue	379	498
Charter revenue	17,508	19,729
Other passenger services and amenities	1,272	1,354
Other revenue	5,167	4,637
<b>Total revenue</b>	<b>129,287</b>	<b>135,374</b>
<b>Finance income</b>	<b>689</b>	<b>1,030</b>
<b>Other gains and losses</b>	<b>104</b>	<b>655</b>
Flight and port operation costs (excluding fuel)	(24,328)	(25,334)
Fuel costs	(20,982)	(20,292)
Salaries and employee-related costs	(48,415)	(48,319)
Selling and marketing costs	(2,733)	(2,738)
Engineering and maintenance costs	(17,042)	(16,017)
Central administration costs and directors' salaries	(3,599)	(3,297)
Finance costs	(766)	(662)
Depreciation and amortisation	(7,211)	(7,934)
<b>Total costs and expenses</b>	<b>(125,076)</b>	<b>(124,593)</b>
<b>Profit before income tax</b>	<b>5,004</b>	<b>12,466</b>
Income tax expense	(1,382)	(3,428)
<b>Profit after tax from continuing operations</b>	<b>3,622</b>	<b>9,038</b>
<b>Total comprehensive income for the period</b>	<b>3,622</b>	<b>9,038</b>
<b>Earnings per share (cents per share)</b>		
Basic	3.30	8.27
Diluted	3.30	8.27

Notes to the financial statements are included on pages 14 to 17.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	CONSOLIDATED	
		31 Dec 2013 \$'000	30 Jun 2013 \$'000
<b>Current assets</b>			
Cash and bank balances		25,585	44,155
Trade and other receivables		21,545	18,652
Available for sale investments carried at fair value – shares		10	10
Inventories		18,965	13,218
<b>Total current assets</b>		<b>66,105</b>	<b>76,035</b>
<b>Non-current assets</b>			
Other financial assets		11	11
Other receivables		7,470	7,002
Property, plant and equipment			
Aircraft		102,287	93,409
Other property, plant and equipment		77,229	75,261
Goodwill and intangible assets		8,361	8,311
<b>Total non-current assets</b>		<b>195,358</b>	<b>183,994</b>
<b>Total assets</b>		<b>261,463</b>	<b>260,029</b>
<b>Current liabilities</b>			
Trade and other payables		24,786	22,691
Unearned revenue		16,069	19,446
Borrowings		2,341	2,235
Current tax payable		1,319	990
Provisions		6,369	7,483
Other liabilities		115	11
<b>Total current liabilities</b>		<b>50,999</b>	<b>52,856</b>
<b>Non-current liabilities</b>			
Borrowings		21,676	22,864
Provisions		2,588	2,579
Deferred tax liabilities		1,159	789
<b>Total non-current liabilities</b>		<b>25,423</b>	<b>26,232</b>
<b>Total liabilities</b>		<b>76,422</b>	<b>79,088</b>
<b>Net assets</b>		<b>185,041</b>	<b>180,941</b>
<b>Equity</b>			
Issued capital	5	72,024	71,959
Reserved shares	5	(770)	(1,439)
Retained earnings		111,777	108,155
Share-based payments reserve		420	676
Other reserves		1,590	1,590
<b>Total equity</b>		<b>185,041</b>	<b>180,941</b>

Notes to the financial statements are included on pages 14 to 17.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	HALF-YEAR ENDED	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Receipts from customers	137,192	147,181
Payments to suppliers, employees and others	(134,103)	(129,017)
Interest paid	(1,132)	(1,124)
Income tax paid	(683)	(7,282)
<b>Net cash flows from operating activities</b>	<b>1,274</b>	<b>9,758</b>
Interest received	689	1,030
Proceeds from disposal of property, plant and equipment	-	2
Payments for property, plant and equipment - aircraft and other	(19,307)	(6,753)
Payments for property, plant and equipment - software	(147)	(973)
<b>Net cash flows used in investing activities</b>	<b>(18,765)</b>	<b>(6,694)</b>
Dividends paid	-	(9,823)
New shares issued	65	-
Shares purchased as reserve shares	(65)	(316)
Salary sacrifice - payment for shares	3	3
Repayment of borrowings – non-related parties	(1,082)	(989)
<b>Net cash flows used in financing activities</b>	<b>(1,079)</b>	<b>(11,125)</b>
<b>Net decrease in cash held</b>	<b>(18,570)</b>	<b>(8,061)</b>
<b>Cash at the beginning of the period</b>	<b>44,155</b>	<b>43,272</b>
<b>Cash at the end of the period</b>	<b>25,585</b>	<b>35,211</b>

Notes to the financial statements are included on pages 14 to 17.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Attributable to equity holders of the Company

	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	General reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2012</b>	<b>71,959</b>	<b>(1,816)</b>	<b>103,960</b>	<b>1,006</b>	-	<b>1,590</b>	<b>176,699</b>
Profit for the period	-	-	9,038	-	-	-	9,038
Other comprehensive income (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	9,038	-	-	-	9,038
Dividends paid	-	-	(9,823)	-	-	-	(9,823)
Shares purchased as reserve shares	-	(316)	-	-	-	-	(316)
Share gift issued – gift	-	685	-	(685)	-	-	-
Share gift issued - salary sacrifice	-	3	-	-	-	-	3
Share gift issued - transfer to provision on amendment to EBA	-	-	-	(138)	-	-	(138)
Share gift plan provision	-	-	-	219	-	-	219
<b>At 31 December 2012</b>	<b>71,959</b>	<b>(1,444)</b>	<b>103,175</b>	<b>402</b>	-	<b>1,590</b>	<b>175,682</b>
<b>At 1 July 2013</b>	<b>71,959</b>	<b>(1,439)</b>	<b>108,155</b>	<b>676</b>	-	<b>1,590</b>	<b>180,941</b>
Profit for the period	-	-	3,622	-	-	-	3,622
Other comprehensive income (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	3,622	-	-	-	3,622
New shares issued	65	-	-	-	-	-	65
Shares purchased as reserve shares	-	(65)	-	-	-	-	(65)
Share gift issued - gift	-	731	-	(628)	-	-	103
Share gift issued - salary sacrifice	-	3	-	-	-	-	3
Share gift plan provision	-	-	-	372	-	-	372
<b>At 31 December 2013</b>	<b>72,024</b>	<b>(770)</b>	<b>111,777</b>	<b>420</b>	-	<b>1,590</b>	<b>185,401</b>

Notes to the financial statements are included on pages 14 to 17.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the new and revised Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has not had any material effect on the amounts reported for the current or prior periods.

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has applied the suite of Standards including AASB 10, AASB 11 and AASB 12 along with associated amendments relating to consolidation and joint arrangements in the current period. The Standards identify the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, along with considerations relating to associates and joint arrangements. No changes to the classification of the Group's investments in subsidiaries have been noted as a result of the application of these new and amended Standards.

The Group has applied AASB 119 for the first time in the current period. This Standard amends the measurement and disclosure requirements for employee entitlements, primarily relating to defined benefit plans along with the measurement and disclosure of other employee entitlements. The Group has no defined benefit plans in place and the implementation of the Standard has had no material impact on the measurement of other employee entitlements. Additional disclosures will be provided in the annual financial statements as required by the revised Standard.

## 2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for each type of service. The Group's reportable segments under AASB 8 are therefore as follows:

- Regular public transport
- Charter
- Training

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an analysis of the Group's revenue and results by reportable operating segment for the period under review:

	REVENUE HALF-YEAR ENDED		SEGMENT RESULT HALF-YEAR ENDED	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>				
Regular public transport	109,384	113,975	7,304	12,568
Charter	17,815	19,589	1,457	2,348
Training	2,088	1,810	(185)	(176)
	<b>129,287</b>	<b>135,374</b>	<b>8,576</b>	<b>14,740</b>
Finance income	689	1,030	689	1,030
Other gains and losses	104	655	104	655
Central administration costs and directors' salaries			(3,599)	(3,297)
Finance costs			(766)	(662)
Profit before tax			5,004	12,466
Income tax expense			(1,382)	(3,428)
<b>Consolidated segment revenue and profit</b>	<b>130,080</b>	<b>137,059</b>	<b>3,622</b>	<b>9,038</b>

The revenue reported above represents revenue generated from external customers.

Segment result represents the profit of each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment as at the end of the period:

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
<b>Continuing operations</b>		
Regular public transport assets	175,522	171,941
Charter assets	77,981	79,637
Training assets	7,960	8,451
<b>Total assets</b>	<b>261,463</b>	<b>260,029</b>

### 3. BORROWINGS

During the period, the Group repaid bank loans to the amount of \$1,082 thousand (2012: \$989 thousand). These were made in line with previously disclosed repayment terms.

### 4. DIVIDENDS

During the period, Regional Express Holdings Ltd made the following dividend payments:

	HALF-YEAR ENDED			
	31 Dec 2013		31 Dec 2012	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
Final dividend	-	-	9.0	9,823

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. ISSUED CAPITAL

	31 Dec 2013 \$'000	30 June 2013 \$'000
<b>Ordinary shares</b>		
Issued and fully paid	72,024	71,959
New shares issued	65	-
	<b>72,089</b>	<b>71,959</b>
<b>Reserved shares</b>	<b>(770)</b>	<b>(1,439)</b>
	<b>No. '000</b>	<b>No. '000</b>
Issued and fully paid	110,155	110,090
Reserved shares	1	617

## 6. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the current reporting period, 681 thousand shares (2012: 629 thousand) were issued to employees under the Employee Share Gift Scheme from the Company's reserved shares. 65 thousand new shares were issued (2012: nil) and no shares (2012: 296 thousand) were re-purchased as reserved shares.

During the FY 2008, the Group executed a publicly announced share buy-back programme. All shares purchased under the programme are cancelled. During the current reporting period, no shares were bought back.

There were no other movements in the issued and fully paid share capital of the Company in the current reporting period.

## 7. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition during the interim period, a cash bonus amounting to \$180 thousand (2012: \$345 thousand) was recommended by the Nomination and Remuneration Committee to be paid to key management personnel.

## 8. CONTINGENCIES AND COMMITMENTS

During the current reporting period, the Company has committed to purchase a further nine Saab 340 B-plus aircraft at lease end in March 2014, amounting to US\$15.15 million.

Regional Express Holdings Limited is currently in discussions with the Australian Taxation Office (ATO) on the application of the interim rules relating to the rights to future income (RTFI) refund of \$1,093 thousand received in respect of the Australian Defence Force Contract pertaining to the 2007 and 2008 financial years. There is a contingent liability that an amount up to the actual refund received from the ATO may be clawed back. The discussions are ongoing with the ATO and no amended assessment has yet been issued.

## 9. SUBSEQUENT EVENTS

In January 2014 the Australian Airline Pilot Academy Pty Ltd (AAPA) received approval from the United Arab Emirates' (UAE) General Civil Aviation Authority (GCAA) as an approved Flight Training Organisation to conduct Integrated Airline Transport Pilot License (ATPL) training for UAE carriers. This allows AAPA to issue a UAE pilot's ATPL and is the only school outside the UAE approved to do so.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## DIRECTORS' DECLARATION

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'G. Filmer', with a long horizontal flourish extending to the right.

Garry Filmer

Director

Sydney, 26 February 2014

**REX GROUP OF COMPANIES:**

