20 YEARS ON

2021/22 Annual Report

For the Financial Year ended 30 June 2022

Regional Express Holdings Limited

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Rex Value Statement

What does it profit a company if it gains the whole world and loses its soul?

Customer

- We are committed to providing our customers with safe and reliable air travel with heartfelt hospitality.
- We constantly strive to keep fares low through our commitment to simplicity, efficiency and good value.
- We are committed to treating our customers as individuals and will endeavour to respond to all their comments and complaints.

Company

Staff members are part of the Rex family. This comes with both privileges and responsibilities.

We expect every staff member to take ownership of issues encountered:

- Ownership means that if something is wrong then it is everyone's job to fix it.
- Matters that cannot be handled by the staff member ought to be pursued further with senior management.
- We accept that sometimes staff may make mistakes while trying to act in the best interest of the Company.

We strive to be a learning organisation where we actively seek to identify systemic issues no matter how small in order to continually transform ourselves to a better organisation:

- This entails a culture where issues are highlighted as learning experiences, even though they may place our colleagues in a bad light.
- An excellent airline is one that is outstanding in a thousand small ways.

We believe that we can only count on ourselves for our continued success:

- All staff members must embrace the 'can do' and 'will do' spirit that has been the defining characteristic of our initial success. Past experiences, while helpful, must not limit or define the future.
- Hard work is the cornerstone of our work ethic - all staff share in the profits and so all staff are expected to contribute their fair share. Slackers that do not contribute their fair share not only rob the Company but also their co-workers.

We value open communication and will strive to create an environment that removes silo mentalities by embracing full transparency:

- Staff members have a right to be heard regardless of their position.
- Staff members are encouraged to contact directly the members of the Management Committee and Board if they feel their immediate supervisors are being a barrier.

We respect the dignity of each staff member and will treat each other with respect and fairness:

- The customer does not always come first and we will stand by our staff member if the customer is unreasonable.
- We will focus on the issue and not the person.
- We accept that staff members may have different talents and capabilities and will strive to fit the job to the person rather than the other way around.
- Important decisions concerning staff matters are always referred to the Management Committee to ensure transparency, fairness, and consistency.

We are committed to standing behind our staff members and their families and will do all we can to help them in their times of special need:

- We believe in the value of the family and will strive to create a working environment that is supportive of the family.
- All staff members have the right to seek the support of Rex Management Committee if special assistance or consideration is needed.

Contractors

- We believe that our suppliers are partners in our business.
- In all our dealings with suppliers we will seek to be fair, reasonable and honest and will strive to work only with like-minded suppliers.

Community and the Environment

- Rex is mindful of the tremendous social and economic impact its services have on regional communities and works in partnership with these communities to balance their needs against our commercial imperatives.
- We are also committed to giving back by supporting worthwhile charitable causes which are focused on helping the less fortunate, supporting natural disaster recovery or supporting development of regional communities.
- We are committed to preserving the environment to the measure of our capabilities.

Capital

- Rex believes that its shareholders' interest is best served by pursuing a path of steady but sustainable growth of its earnings.
- We believe that maximizing shareholders' returns in the long term is not incompatible with our duties and responsibilities towards our other stakeholders outlined above.

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Foreword

20 Years On

Twenty years ago, we rose from the ashes of a failed Ansett to become one of the world's most successful regional airlines. I was there from Rex's inception and went through the painful rebirth.

Twenty years later, we again have to try and rise up from the near mortal blows delivered by COVID-19 and the war in Ukraine to find our footing in an extremely punishing environment – near record fuel prices, galloping inflation, chronic shortage of all levels of expertise, supply chain dislocations and very unfavourable exchange rates … to name a few.

This has caused us to finish the Financial Year with an underlying loss of nearly $100 million, before the reversal of impairments brought it to a loss after tax of $45 million. This is a very big number for our airline and understandably is extremely distressing for all stakeholders.

I too have been driven to despair many a times. Reflecting on the last 20 years, it seems like Sisyphus from Greek mythology, where every time we made some progress, the external storms came to push us downhill. During such times, the resilience and sheer tenacity of our staff was what kept me going.

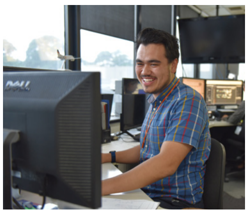
Rex too faces today the COVID-related absenteeism and the severe shortage of staff. Yet, we see in all departments and all across our network numerous examples of staff pulling double shifts and responding to call-outs and extensions when our services are un-crewed or when we are faced with unserviceable aircraft. Even when the pilot union triggered Protected Industrial Action, we saw close to 90% of the staff group refusing to take any action that would damage the Company. This explains why, when all the other carriers are facing horrendous on-time-performance, high cancellation rates and mountains of lost luggage, Rex still manages to deliver a safe, reliable and affordable service that all Australians are now learning to rely on.

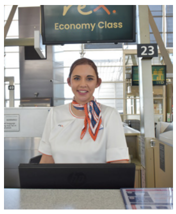
Of all things at Rex, it is this unique DNA which I am most proud of. And this unique culture has enabled us to beat the best in the industry. Just some fun facts for us all to keep our spirits up in the midst of this gloomy environment:

1. From 2008, Rex still manages, in spite of the double whammy from Global Financial Crisis and COVID, to have a net positive gross margin of 2.89%, beating Singapore Airlines' 1.31% and well ahead of Qantas' disgraceful negative 1.92%. 2. If we accumulated all profits over the last 18 years, Rex has made more money in absolute terms than Qantas!

I therefore dedicate this foreword to all the unsung heroes who are the reason why we are still standing today. You are too many to thank individually. You know who you are and you should know that you have the utmost gratitude of the entire Rex Board. With you in our midst, we can all look confidently to the next 20 years.

Lim Kim Hai
Executive Chairman
30 September 2022





Corporate

This annual report covers both Regional Express Holdings Limited as an individual entity and the consolidated entity comprising Regional Express Holdings Limited and its subsidiaries.

The Group's functional and presentation currency is AUD ($).

Directors
Lim Kim Hai
The Hon. John Sharp AM
Lee Thian Soo
Neville Howell
Chris Hine
Jim Davis
Prof. Ron Bartsch AM
Lincoln Pan
Sid Khotkar

Company Secretaries
Irwin Tan
Benjamin Ng
Richard Kwan

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Share Registry
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Level 12, 680 George Street
Sydney, NSW 2000

Solicitor
Baker McKenzie
Level 46, Tower One
International Towers Sydney
100 Barangaroo Avenue
Barangaroo, NSW 2000

Banker
Westpac Banking Corporation

Auditor
BDO Audit Pty Ltd

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Directors' Report

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1 Board of Directors

In compliance with the provisions of the *Corporations Act 2001*, the directors of Regional Express Holdings Limited ('Rex') submit herewith the annual report for Rex and its consolidated entities (the 'Group') for the Financial Year ended 30 June 2022 (FY22).

The names and particulars of the directors of Rex during or since the end of the FY are:

Lim Kim Hai | Executive Chairman

Appointed 27 June 2003.

Mr Lim started his career as a Defence Engineer specialising in underwater warfare. After ten years he left to start his own business. Currently, he has a portfolio of investment and business interests in diverse sectors and countries. He is also the Chairman of a biomedical company in Singapore, Lynk Biotechnologies Pte Ltd.

Mr Lim obtained his Masters in Electronics Engineering from the prestigious 'Grande Ecoles' engineering colleges in France under a French Government scholarship. He later returned to France to complete a Masters of Public Administration at the elite Ecole Nationale d'Administration in Paris on a Singapore Government scholarship. Mr Lim also holds a Masters of Business Administration from the National University of Singapore.

Mr Lim was one of the founding shareholders and directors of Rex in August 2002. He has been the Executive Chairman of the Rex Group of companies since June 2003.

The Hon. John Sharp AM | Deputy Chairman & Independent Director

Appointed 27 June 2003.

The Honourable John Sharp AM is an aviator, having been a licenced pilot of both fixed-wing and rotary-wing aircraft. Mr Sharp was a member of the House of Representatives of the Commonwealth Parliament for 14 years (1984 – 1998). He retired from the House of Representatives in 1998 and established his own high-level aviation and transport consulting company. He was Honorary Federal Treasurer of the National Party of Australia from 1999 to 2017.

Mr Sharp is Chairman of Pel-Air Aviation Pty Ltd and serves as a director on the boards of Power and Data Corporation Pty Limited; Luerssen Australia; Australian Maritime Shipbuilding Export Group; the Tudor House Foundation, and the Foundation for Rural and Regional Renewal, as well as a Trustee and Board Member of John McKeown House. He is also a director of the Bundanon Trust.

Mr Sharp is a former Chairman of the Aviation Safety Foundation of Australia, Winifred West Schools Foundation, and the Parsons Brinkerhoff Advisory Board, an engineering and design company operating throughout Australia and the region. He has previously served as a director of Airbus Group Australia Pacific and has been a member of the University of Wollongong Vice Chancellor's Advisory Board. He has been a director of the French-Australian Chamber of Commerce and Industry, and Co-Chair of the Cancer Council of NSW Southern Highlands Branch. He recently retired as a member of the Climate Change Authority which he served on for six years.

Mr Sharp was also previously appointed a director of the Flight Safety Foundation following his receipt of the Foundation's Presidential Citation for Aviation Safety, the first Australian to receive this award.

He is involved in a number of voluntary and community organisations and was named a Member of the Order of Australia for significant service to the people and Parliament of Australia, to the aviation industry, and the community.

Mr Sharp's extensive experience in aviation, regional air services and as the former Federal Minister for Transport and Regional Development in the Federal Government, adds significantly to the expertise and standing of the Board.

Lee Thian Soo | Non-Executive Director

Appointed 27 June 2003.

Mr Lee has extensive international business experience and currently is the Chairman and owner of a company supplying specialty medical devices, systems and drugs to healthcare institutions in the ASEAN region.

Mr Lee was one of the founding shareholders and directors of Rex in August 2002.

1 Board of Directors cont.

Neville Howell | Executive Director & Chief Operating Officer

Appointed 1 July 2014.

Mr Howell has over 41 years of aviation experience and has been with the Company since its inception in August 2002. He operated the Saab 340 as a First Officer and Captain for over 18 years for both Hazelton Airlines and Rex. Prior to his role as General Manager Flight Operations (GMFO) and Chief Pilot, Mr Howell was Manager Training & Checking and Deputy Chief Pilot. He is an extensively qualified and experienced simulator and aircraft instructor and has held positions as both Training and Check Captain. Mr Howell was the Chief Flying Instructor and Chief Pilot for the first integrated pilot training academy in Australia and has provided cadet pilot training for both domestic and international carriers.

He is a qualified lecturer in several aviation subjects and has a Diploma of Aviation. He has held many Civil Aviation Safety Authority (CASA) delegations since 1984. As GMFO Mr Howell was responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations.

Mr Howell became Chief Operating Officer in July 2014. As Chief Operating Officer he is responsible for Rex operations including flight operations, continuing airworthiness, maintenance control, airport operations and the human factors group. Mr Howell is the Accountable Manager for the Rex Air Operator's Certificate (AOC).

Chris Hine | Executive Director, Group Flight Operations Advisor and Chairman, Australian Airline Pilot Academy

Appointed 1 March 2011 as Executive Director; Appointed 1 July 2014 as Non-Executive Director; Appointed 18 May 2015 as Executive Director and Group Flight Operations Advisor.

Mr Hine has over 25 years of aviation experience, including 15 years as a First Officer and Captain of Metroliner and Saab 340 aircraft and well-accomplished and knowledgeable instructor. He has been with the Company since its inception in August 2002 and is the Group Flight Operations Advisor, Chairman's Office and Executive Chairman of the Australian Airline Pilot Academy Pty Ltd (Wagga Wagga, New South Wales and Ballarat, Victoria).

Preceding his current role, he was the Chief Operating Officer and General Manager Flight Operations and Chief Pilot. As Chief Operating Officer he was responsible for the Company's operations including flight operations, maintenance control, airport operations and the human factors group. Prior to Rex he worked for Kendell Airlines from 1995, during which time he held various Check and Training Captain positions.

Mr Hine has also had experience as a lecturer in Cockpit Systems Management for the Bachelor of Applied Science (Civil Aviation) degree at the University of South Australia.

Jim Davis | Independent Director

Appointed 26 August 2004 as Executive Director; Appointed 27 May 2008 as Managing Director and retired 1 July 2011; Appointed 23 November 2011 as an Independent Director.

Mr Davis has a degree in Aeronautical Engineering and commenced his aviation career with the Civil Aviation Safety Authority (CASA) before obtaining his Air Transport Pilot Licence. He subsequently flew with airlines in Australia and overseas for 26 years, accumulating some 12,500 flying hours. Mr Davis joined Hazelton Airlines in 1999 as Flight Operations and Standards Manager and later became Chief Pilot. He has been with Rex since its inception in 2002, occupying the positions of Executive General Manager Operations, Managing Director Operations, Chief of Staff of the Chairman's Office and Managing Director.

Mr Davis is a former Chairman of the Australian Airline Pilot Academy Pty Ltd (AAPA), a former Director of Rex Group company Pel-Air Aviation Pty Ltd and a former Chairman of the Regional Aviation Association of Australia (RAAA). He currently sits on the boards of Airports Coordination Australia (ACA) Pty Ltd and the Regional Aviation Association of Australia (RAAA).

Prof. Ron Bartsch AM | Independent Director

Appointed 23 November 2010.

Professor Bartsch has over 40 years' experience in the aviation industry in a variety of senior operational, safety and regulatory roles. He was head of safety and regulatory compliance for Qantas Airways Limited's AOC and manager of the Civil Aviation Safety Authority (CASA) Sydney Airline Transport Field Office.

Professor Bartsch is an experienced pilot and has extensive legal and regulatory experience. He has formal qualifications in law, education, philosophy and science, and is the author of the definitive legal publication on aviation law. Professor Bartsch is an international aviation safety consultant and visiting Professor of International Aviation Law at the University of the South Pacific and the College of Law at the Australian National University and a Senior Visiting Fellow with the School of Aviation at the University of New South Wales. He is a former aviation specialist and Presiding Member of the Administrative Appeals Tribunal and author of several publications including *Aviation Law* in Australia, *International Aviation Law and Drones in Society* and contributing aviation author for *The Laws of Australia* and *Halsbury's Laws of Australia*. Professor Bartsch's latest publication, *The Corona Dilemma: 20-20 Thinking for the Next Normal*, was released in 2020.

Professor Bartsch was appointed a Member of the Order of Australia at the Australia Day Honours in 2021 for his significant service to aviation law, and to safety and compliance.

Lincoln Pan | Non-Executive Director

Appointed 15 March 2021.

Lincoln Pan is a Partner of PAG, a leading Asia-based alternative investment fund managing over US$40bn in capital, and the co-head of the Private Equity business.

Mr Pan has led work for many of PAG's overseas investments, including Huis Ten Bosch, iQiYi, Cordina Foods, Unispace, Edelweiss Wealth Management, Gamot API, Craveable Brands, Joyson Safety Systems, Cushman & Wakefield, Lexmark International, Fenix Technologies, Food Union Group, The Cheesecake Shop and Young Toys. He is on the public board of Cushman & Wakefield (NYSE: CWK) where he chairs the Nomination & Governance Committee and is a member of the Compensation Committee.

Prior to joining PAG, Mr Pan was Regional CEO, Greater China for Willis Towers Watson. He previously worked with Advantage Partners, a leading private equity firm in Japan, GE Capital, McKinsey & Company and Simpson Thacher & Bartlett. Mr Pan holds a JD from Harvard Law School and a BA from Williams College. He has qualified to practice law in the State of New York.

Sid Khotkar | Non-Executive Director

Appointed 15 March 2021.

Mr Khotkar joined PAG after working at the Future Fund, where he was responsible for helping the A$200+ billion investor manage its private equity portfolio.

Before joining the Future Fund, Mr Khotkar worked at TPG Capital for more than 10 years, most recently as a Principal with its Melbourne-based buyout team. In that role, he worked on a variety of deals including the global property services roll-up that created Cushman & Wakefield, and leading Australian electricity and natural gas provider Alinta Energy.

Prior to joining TPG Capital, he worked at Goldman Sachs in the Investment Banking Division. Mr Khotkar received a Bachelor's degree in Commerce (Finance, Hons.) from the University of Melbourne and an MBA from Harvard Business School.

2 Senior Management Executives

The names and particulars of the senior management executives of Rex during or since the end of the FY are:

Neville Howell | Executive Director & Chief Operating Officer

Mr Howell is a member of the Rex Management Committee. A description of his qualifications, skills and experience is included on page 12.

Warrick Lodge | General Manager, Network Strategy

Mr Lodge manages the team responsible for scheduling, pricing, revenue management, and commercial analysis. His duties include the monitoring of network performance and analysis of both existing and new market opportunities for the Rex domestic and regional operations. Mr Lodge has 30 years of regional airline experience in the specialised areas of scheduling, pricing and revenue management and held the position of Manager Network Planning with Kendell Airlines, having joined that company in 1992. Mr Lodge has been with Rex since its inception in 2002 and is also a member of the Rex Management Committee.

Irwin Tan | General Manager, Corporate Services

Mr Tan's background was originally in genetic research after graduating with first-class honours in biotechnology from the University of New South Wales in Sydney. Mr Tan left the field of genetic research when he joined Morrison Express Logistics in 1999 and then Singapore Airlines in 2001. He was later transferred to Singapore Airlines Cargo as an executive where he took on various appointments in product development, advertising, sales and airline alliances before taking on the role of Regional Marketing Manager for the South-West Pacific region in 2003. Mr Tan joined Rex in July 2005 and was appointed the Company Secretary and GM Corporate services on 7 September 2005. Mr Tan is also a member of the Rex Management Committee.

Mayooran Thanabalasingam | General Manager, Information Technology and Communications

Mr Thanabalasingam leads a team of Information Technology (IT) professionals responsible for ensuring day-to-day operations of the airline. With over 20 years of experience and an extensive background in information technology, he has managed a range of IT projects and initiatives for Rex including the Internet Booking Engine, the Amend Booking Engine, Web Check-in and numerous Mobile/ iPad applications.

Mr Thanabalasingam has a Masters of Business Administration (Computing) from Charles Sturt University. He also has a Graduate Certificate in Management (Information Technology) as well as an Associate Diploma of Electrical Engineering/ Computer Engineering. He commenced with Rex in April 2004. Mr Thanabalasingam is a member of the Rex Management Committee and a Director of the Australian Airline Pilot Academy (AAPA).

Png Yeow Tat | General Manager, Engineering

Mr Png has been in aviation engineering for more than 40 years and has many years of experience in various senior management positions. He graduated with an Honours Degree in Electrical and Electronic Engineering from the UK. Mr Png joined Rex in June 2007 as the Logistics Advisor and subsequently as the Engineering Advisor in the Chairman's Office. He became the Deputy General Manager and Part 145 Alternate Accountable Manager for the Rex Approved Maintenance Organisation (AMO) in June 2013.

Mr Png was then appointed General Manager for the Rex Engineering Group in January 2016 and is also the Rex Part 145 AMO Accountable Manager.

He is a member of the Rex Engineering Management Committee and a member of the Rex Management Committee.

Mark Burgess | Deputy General Manager, Engineering

Mr Burgess is a Licensed Aircraft Maintenance Engineer with over 30 years' experience and has been with the Company since its inception in 2002.

Mr Burgess' career began as an apprentice in the British Armed Forces where he maintained helicopters for 12 years and left as a Senior Rank. He continued his career in the oil and gas industry in Aberdeen, Scotland with CHC Scotia which also included Line support for British Midland Regional aircraft. He migrated to Australia in 2001 to work for Kendell Airlines in Wagga Wagga and became Production Leader coordinating maintenance and manpower on heavy checks for Saab 340 aircraft.

In 2008 Mr Burgess moved to Adelaide as the Line Maintenance Supervisor and oversaw the expansion of Rex maintenance activities from line to heavy maintenance. Mr Burgess was appointed the Deputy General Manager, Engineering in April 2016 and is currently the Rex Part 145 AMO Alternate Accountable Manager. He is a member of the Rex Engineering Management Committee.

David Brooksby | National Airports Manager

Mr Brooksby commenced the role of National Airports Manager for Rex in 2010. Mr Brooksby has held previous senior roles in a management and operational capacity at each of Rex's major airports including Adelaide, Sydney, Brisbane and Melbourne since joining the Company in April 2006. Mr Brooksby also held the role of Chief Operating Officer of former subsidiary Air Link Airlines from 2012 until it was sold in 2018. Prior to commencing employment with Rex, Mr Brooksby worked as a contracted outport agent with his family's business at Mount Gambier airport where his father is the Company's longest-standing contracted ground handling agent, having been contracted by Rex/Kendell since 1982 to provide ground handling services. Mr Brooksby graduated from the University of South Australia with a Bachelor of Management in 2003. Mr Brooksby is also a member of the Rex Management Committee.

Paul Fisher | General Manager, Flight Operations and Chief Pilot

Mr Fisher has over 30 years of aviation experience and has been with the Company since its inception in August 2002. He has operated the Saab 340 aircraft as a First Officer and Captain for over 20 years with both Hazelton Airlines and Rex. Prior to his role as General Manager Flight Operations (GMFO) and Chief Pilot, Mr Fisher served in various roles within the Training and Checking department including the Adelaide Flight Operations Manager, Flight Standards Manager and the Training & Checking Manager/Deputy Chief Pilot. He holds several Civil Aviation Safety Authority (CASA) delegations. As GMFO he is responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations.

3 Directorships of Other Listed Companies

During the year under review, no directors appointed as at 30 June 2022 served as a director with any other company listed on the ASX.

4 Directors' Shareholdings

The following table sets out each director's relevant interest in shares and options of Rex as at the date of this report. No debentures or rights exist.

Directors	Fully paid ordinary shares direct interest	Fully paid ordinary shares indirect interest	Share options
Lim Kim Hai	18,998,346	5,755,513	-
John Sharp	50,000	275,032	-
Lee Thian Soo	7,722,181	3,727,181	-
Neville Howell	35,034	-	-
Chris Hine	84,710	-	-
Jim Davis	200,866	-	-
Ron Bartsch	-	-	-
Lincoln Pan	-	-	-
Sid Khotkar	-	-	-

5 Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the Financial Year (FY) and the number of meetings attended by each director (while they were a director or committee member). During the FY, five Board meetings; one Remuneration, Nominations and Disciplinary Committee meeting; two Audit and Corporate Governance Committee meetings; and three Safety and Risk Management Committee meetings were held.

Directors	Board	Remunerations, Nominations and Disciplinary Committee	Audit & Governance Corporate Committee	Safety & Risk Management Committee
No. of Meetings Held:	5	1	2	3
Attendance:				
Lim Kim Hai	5			
John Sharp	5		2	
Lee Thian Soo	5			
Neville Howell	5	1		3
Chris Hine	5			3
Jim Davis	5	1		
Ron Bartsch	5			2
Lincoln Pan	5		2	
Sid Khotkar	5			

6 Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 29 to 35.

7 Former Partners of the Audit Firm

No directors or officers in Rex or the Group have been a partner or director of BDO Audit Pty Ltd, the Group's auditor.

8 Company Secretaries

Mr Irwin Tan holds the position of Rex Company Secretary. A description of his qualifications, skills and experience is included on page 14.

Mr Benjamin Ng, having completed his Bachelor of Science followed by an MBA in the UK, started his career with the German multi-national chemical company, Henkel in Malaysia. In his eight years with Henkel/Cognis, he held various positions ranging from sales, marketing, business analysis and cost controlling. In 2001, he was posted to headquarters in Germany for just over a year where he was the cost controller for the Asia Pacific Region. Upon his return to Malaysia, he oversaw the controlling department of Cognis for three years. Mr Ng joined Rex in May 2006 and was appointed Company Secretary on 10 October 2007.

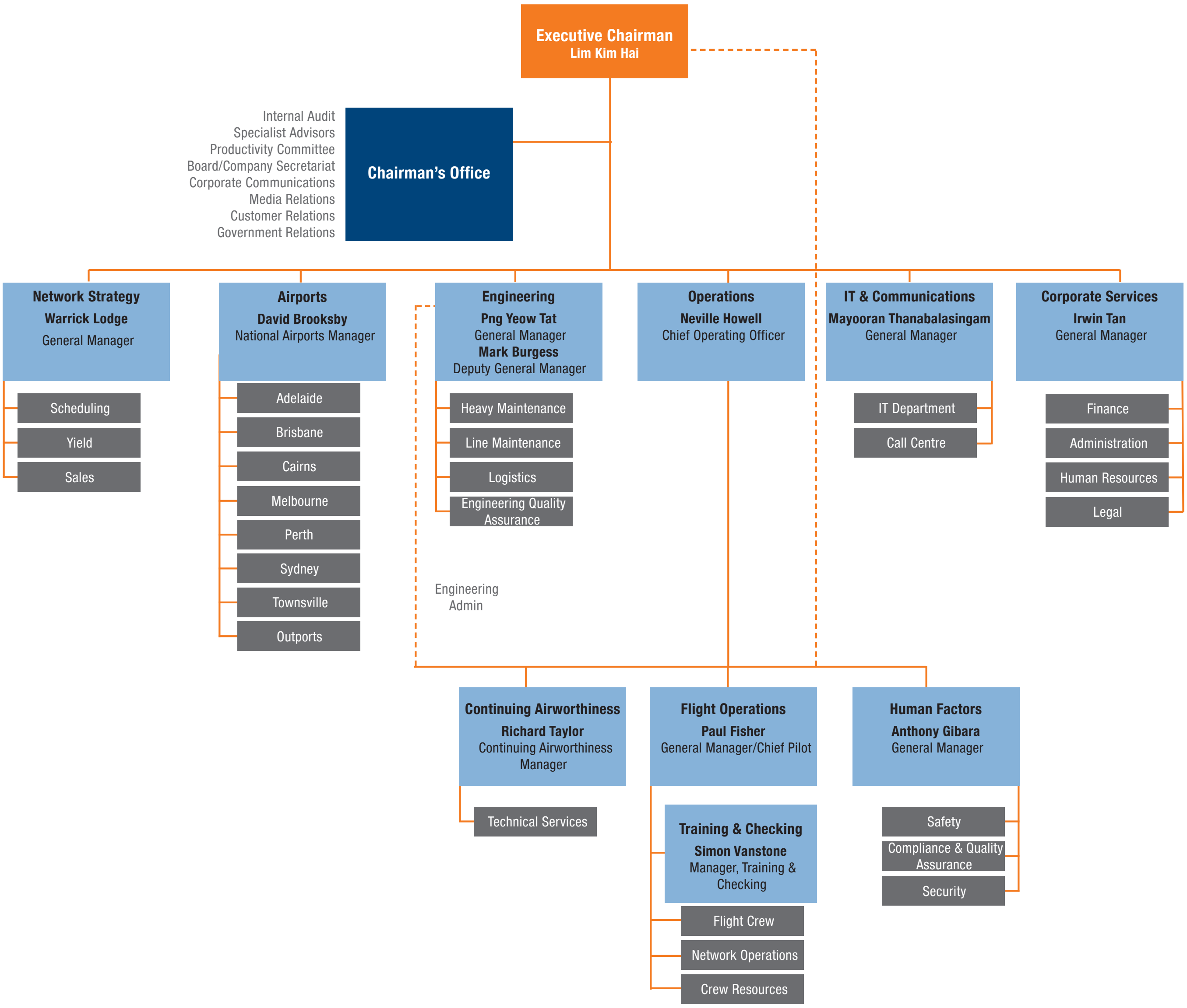
Mr Richard Kwan started his career with Rex after graduating with a Bachelor of Aviation (Hons) from the University of New South Wales (UNSW) in 2010. He has held various roles within the Corporate Services and Network Strategy departments. Specifically, Mr Kwan focuses on analysis, project and contract management within the Rex Group of companies, including the Queensland and Western Australia regulated routes and Pel-Air contracts. He has subsequently obtained a Master of Commerce from UNSW. Mr Kwan was appointed Company Secretary on 26 September 2016.

9 Principal Activities

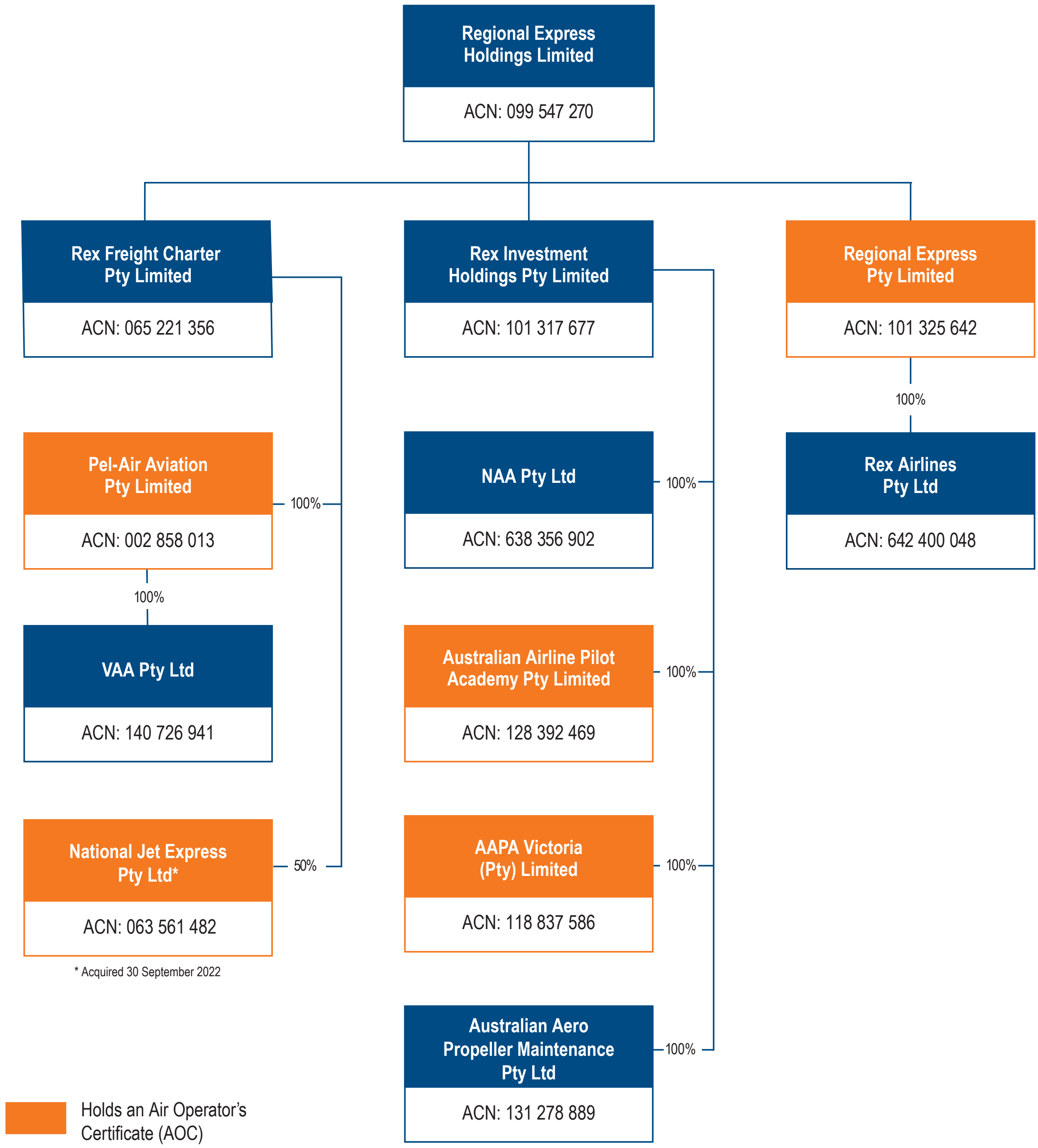
The Group's principal activity during the FY was the provision of air services principally for the transportation of passengers and freight.

10 Organisation & Group Structures

Rex Airlines Organisation Structure



Rex Group Holdings Structure



11 Review of Operations

Summary

The year ended 30 June 2022 saw further service disruption arising from the ongoing COVID-19 pandemic, resulting in travel restrictions and subsequent network reductions with conditions progressively returning to normal from February 2022 onwards.

Rex commenced Financial Year 2022 (FY22) with a regular public transport (RPT) network servicing 61 airports, including five domestic routes: Melbourne to Sydney, Adelaide, Canberra and the Gold Coast; and Sydney to the Gold Coast. Another two routes were added during the reporting period, Brisbane from both Melbourne and Sydney.

Due to persistent lockdowns in the major markets of New South Wales and Victoria with the emergence of the COVID-19 Delta variant from May 2021, and the steep decline in passenger numbers, Rex was forced to make extensive capacity reductions, including the temporary suspension of the domestic Boeing 737-800NG (Boeing 737) network.

Rex had to temporarily adjust employment numbers, with approximately 500 frontline workers affected, including pilots, cabin crew, engineers, airport, call centre, ground and Head Office operational staff.

Following an increase in vaccination rates in New South Wales and Victoria, resulting in the easing of restrictions, and the vaccination of all Rex frontline staff by 1 November 2021, Rex announced the progressive resumption of Boeing 737 domestic services and the restoration of regional flights from 15 November 2021.

The COVID-19 Omicron variant was first confirmed in Australia in late November 2021, leading to a wave of COVID-19 cases in Q3 FY22. Though borders were open, recovery remained slow as the Australian public self-isolated.

The Easter school holidays in April 2022 marked a milestone, with airlines and airports seeing a two-year record high number of passengers, and performance improving significantly in Q4 of FY22.

Flight capacity across the regional network was progressively ramped up with increased demand.

The prolonged impact of the pandemic on the industry saw the extension of the Federal Government financial assistance measures to ensure the survival of airlines in Australia. Rex continued to receive the Regional Airline Network Support (RANS) grant until 30 June 2022. The program was available to all regional airlines and supported a minimum skeleton schedule (either two or three return services a week) to ensure essential services were maintained to regional and rural communities despite the low passenger volumes.

Support from the Federal Government and State Governments for the aviation sector ensured the survival of all carriers in Australia. Rex's survival meant more than 50 regional and rural communities continued to receive essential regional aviation services amid the worst operating conditions the country had ever seen.

Route and Network Development

Rex commenced FY22 in the midst of lockdown, as key markets of Victoria and New South Wales endured hard border closures due to the onset of the COVID-19 Delta variant.

By late July 2021, with the country recording increasing case numbers, Rex implemented schedule reductions and grounded the domestic fleet until November 2021 when vaccination rates in New South Wales and Victoria increased and restrictions eased.

On 25 October 2021, Rex unveiled plans to increase regional capacity in New South Wales and reinstate suspended services on the Sydney-Coffs Harbour and Sydney-Port Macquarie routes from 15 November 2021. Rex also announced that Sydney-Melbourne, Melbourne-Canberra, Sydney-Canberra would resume from 15 November 2021; Melbourne-Adelaide would restart from 26 November 2021, and the Gold Coast services to Sydney and Melbourne would restart from 17 December 2021, in line with the relaxing of Queensland's border restrictions. To celebrate the opening of state borders and restart of services, Rex launched a 'Reconnect Sale', releasing a raft of fares on sale with no Christmas blackout period.

On 23 November 2021, Rex announced it had been awarded six regulated routes by the Queensland Government Department of Transport and Main Roads (TMR) following a competitive tender for the provision of regional air services. This included five regulated routes already operated by Rex, the Gulf, Western 1, Western 2, Northern 1 and Northern 2 routes, encompassing 23 destinations across regional and outback Queensland. The sixth route was a new route, Central 1, which connects the communities of Roma and Charleville to Brisbane, formerly operated by QantasLink. The new contracts commenced on 1 January 2022, for a period of five years.

On 17 December 2021, Rex launched double-daily flights between Melbourne and Brisbane, which became the fifth capital city destination on the Rex domestic network. One week after the Queensland border reopened, the inaugural domestic Rex Boeing 737 flight took off from Brisbane, with a commemorative cake and traditional water-cannon salute marking the occasion. On 20 December 2021, Rex's dreams of servicing the so-called 'Golden Triangle', being Sydney – Melbourne – Brisbane, were realised with the inaugural Brisbane-Sydney service taking flight.

Rex announced its first fare increase in more than three years would take effect from 24 March 2022. Still maintaining a competitive lead-in fare, Rex was forced to increase most fares by $10 on its domestic and regional networks in response to the steep increases in operational costs due to spiralling fuel costs, which had jumped by 30% in a matter of weeks following the war in Ukraine, and overall strong inflationary pressure.

In May 2022, Rex announced a new partnership with America's most awarded airline, Delta Air Lines, to enter into a 'definitive commercial agreement' for reciprocal interline ticketing and baggage services, slated to commence during the Q2 FY23. Rex passengers will be able to connect seamlessly on Delta's daily, non-stop flights between Sydney and Los Angeles to nearly 50 cities in the United States and Latin America; and Delta will be able to feed their travellers on Rex's trunk domestic routes, or to Rex's regional destinations.

Since Rex's announcement in June 2020 to launch domestic routes, Qantas has tried to intimidate Rex by commencing services on 9 regional routes in competition against Rex. The routes are marginal for one carrier and certainly too small for two airline operators.

In response to Qantas' predatory behaviour, Rex appointed a legal team in August 2021 to pursue remedies against Qantas for anti-competitive behaviour. Market-leading litigation law firm, Clayton Utz, was appointed to pursue all legal remedies in response to Qantas' predatory and anti-competitive behaviour.

On 19 May 2022, the first casualty of Qantas' capacity dumping was announced, when Rex declared the Albury to Melbourne route would cease on 29 May 2022. Having inherited the route at its formation, Rex was disappointed to exit the route after servicing it faithfully for 39 years. However, Rex had no choice as Qantas entered the Albury/Melbourne route with 31,000 seats annually with intent to drive out Rex in a war of attrition. Pre-COVID, 22,000 passengers flew between Albury and Melbourne per annum, very marginal passenger numbers to support one airline on the route, let alone two.

On 24 May 2022, Rex announced that it would cease services between Sydney and Canberra from 30 May 2022, having launched that service in April 2021 as part of an expansion of the airline's regional and domestic network. At the time of Rex's launch on the route, its competitive fares were hailed a game-changer against the inflated airfares from the monopoly operator. However, with the entrance of an additional operator on the route, it was no longer viable for Rex to continue, with the last flight operating on Sunday 29 May 2022.

Other casualties of Qantas' predatory actions soon followed. On 30 May 2022, and coinciding with the end of the Federal Government's Regional Airline Network Support (RANS) Program, Rex announced that it was no longer able to cross subsidise the marginal routes of Sydney-Bathurst, Sydney-Grafton/ Lismore, and Adelaide-Kangaroo Island from 30 June 2022. Rex also announced that it would withdraw from the Sydney-Ballina route from 2 July 2022 which coincided with the end of the Domestic Airline Network Support (DANS) program and over supply of capacity on the Sydney-Ballina route.

These regional communities are the collateral damage of Qantas' predatory behaviour. They had been serviced by Rex since Rex's inception 20 years ago, and some of them for more than 30 years, having been operated by Rex's predecessor airlines, Kendell Airlines and Hazelton Airlines.

On 13 June 2022, Rex announced that it would start flying between Melbourne and Devonport, the airline's third Tasmanian destination, from 19 August 2022, in direct competition against Qantas. This was made possible by the resources freed up by Rex's withdrawal from the Melbourne-Albury route at the end of May 2022.

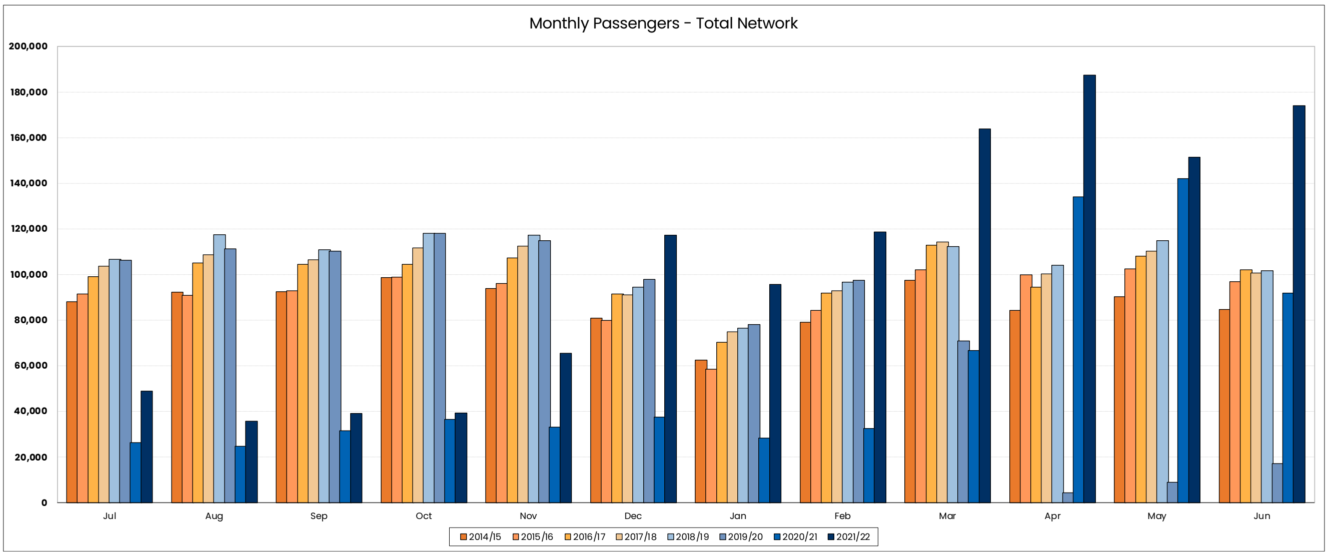
On 15 June 2022, Rex announced the final casualty in its regional network from Qantas' predatory behaviour with the withdrawal from the Sydney-Cooma (Snowy Mountains) route. This route had only a paltry 2,000 passengers in the preceding 12 months and yet Qantas announced its intention to compete in the services.

While it would appear that Qantas' predatory strategy seemed to be succeeding in driving Rex out of many marginal regional routes, in fact the initiative backfired spectacularly on Qantas. Rex simply diverted its resources to compete on the many big lucrative routes where Qantas was enjoying a monopoly and extracting extortionist fares from the local community. Rex also increased significantly its services on the routes that were already in competition with Qantas. At the time of this report, Rex is attracting more passengers and revenue on its regional network compared with pre COVID, while flying 5% less, with many of the new services being just recently introduced:

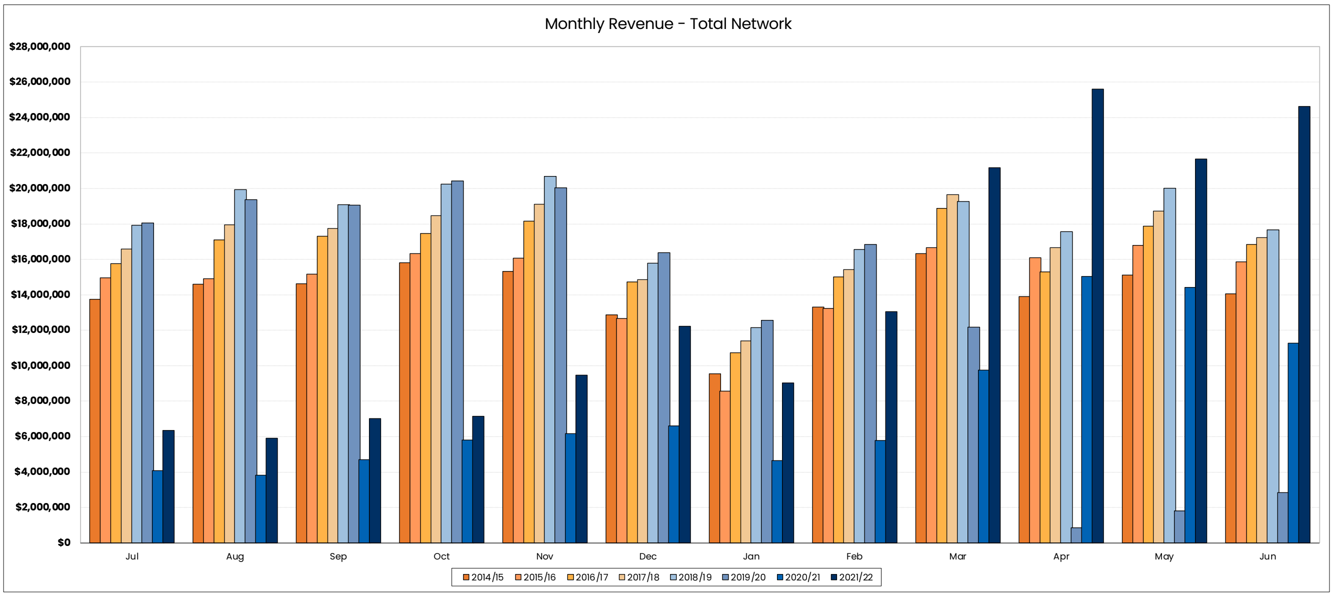
Routes exited due to Qantas' predatory actions			New services on routes competing against Qantas' monopoly routes		
Route	**Date Implemented**	**Passenger numbers (pre COVID)**	**Route**	**Date Implemented**	**Passenger numbers (pre COVID)**
Melbourne - Albury	29/5/22	22,000	Sydney – Coffs Harbour	28/3/21	330,000
Adelaide - Kangaroo Island	30/6/22	42,000	Sydney – Port Macquarie	28/2/21	190,000
Sydney - Bathurst	30/6/22	19,000	Melbourne – Devonport	19/8/22	150,000
Sydney - Cooma	30/6/22	6,000		**Total**	**670,000**
Sydney - Grafton	30/6/22	18,000		Rex Forecast Share	>170,000
Sydney - Lismore	30/6/22	12,000			
	Total	**100,000**			

The graphs below set out the evolution in monthly passenger carriage and monthly passenger revenue over the last eight FYs:

Monthly Passengers - Total Network



Monthly Revenue - Total Network



Fleet Changes

On 1 January 2022, a fleet of new Beechcraft King Air 350C aircraft took to the skies as Rex's subsidiary Pel-Air Aviation commenced, without a single day of delay, the 10-year fixed wing air ambulance operations for NSW Ambulance. Pel-Air was awarded the NSW Ambulance tender in February 2020. The five King Air aircraft arrived in Australia between December 2020 and June 2021, and underwent modifications locally to meet the requirements of NSW Ambulance. The aircraft, likened to a 'hospital in the sky' are equipped to carry out a range of 24/7 critical care operations.

As part of the NSW Ambulance contract, Pel-Air announced that from mid-2023, two of the King Air 350C aircraft would be replaced with two new Pilatus PC-24 jets. The order for two PC-24 jets has progressed accordingly, and both aircraft have been manufactured and are currently undergoing initial fit-out in Switzerland.

A fleet of brand new Beechcraft King Air 350C commenced air ambulance operations for NSW Ambulance on 1 January 2022.

Pel-Air announced in February 2022 that it had been (re) awarded a contract to provide fixed-wing air ambulance services to Ambulance Victoria for a period of 12 years. The contract involved the supply of two new Beechcraft King Air 260s and two new Beechcraft King Air 360s. Aircraft preparations are on track for the commencement of the contract in January 2024.

During FY22, Rex continued its Saab 340 refurbishment program, which included the unveiling of a new livery in September 2021. The new livery proudly features Rex's slogan, 'Our heart is in the country', above the forward window belt and the Rex logo is now prominently displayed on the underside of the fuselage. As well as a fresh new livery, the refurbishment also incorporates installation of new specially designed leather seats, LED lighting and new matching carpet and cabin trim.

In September 2021, the Victorian campus of the Australian Airline Pilot Academy, AAPA Victoria, returned two Piper Seminole training aircraft to the lessor.

At the inaugural Sydney-Brisbane launch on 20 December 2021, Rex formally unveiled an aircraft dedicated to Rex Ambassador and former Federal MP for Riverina, Kay Hull AO, a long-time champion of regional aviation, whose caricature adorns the fuselage of the aircraft, VH-REX, a Boeing 737.

In February 2022, Rex purchased an additional Saab 340B *plus* aircraft to further expand its regional fleet. Rex took delivery of the aircraft in July 2022.

In May 2022, Rex signed a Letter of Intent (LOI) for the lease of an additional Boeing 737.

Kay Hull pictured next to her caricature, featured on VH-REX.

Flight Operations Review

A total of 32 Saab 340 pilots were employed during FY22 of which 19 have been checked to line; which includes nine cadets from the Rex Cadet Pilot Program at the Australian Airline Pilot Academy (AAPA). Fourteen First Officers were upgraded to the rank of Captain during the corresponding period.

The Domestic operation saw a total of 31 Boeing 737 pilots join the airline, with 20 pilots checked to line. Two First Officers were upgraded to the rank of Captain.

Extended lockdowns during the first half of the reporting period resulted in a substantial reduction of flying and furloughing of flight crew, followed by a recovery period in the second half of the year. As airlines all over the world ramped up recruitment to rapidly reinstate capacity and fill pilot positions, Rex saw its pilot attrition rate increase.

Rex is a Part 142 authorised pilot training organisation in accordance with the Civil Aviation Safety Regulations (CASR). During FY22, the Part 142 received approval from the Civil Aviation Safety Authority (CASA) to conduct Boeing 737 Type Ratings. This approval also allows for transition training for Boeing 737 pilots who have only flown the earlier 'classic' aircraft to fly the Next Generation (NG) models that Rex operate.

As part of the expansion of the Part 142, four Type Rating Instructors were inducted and 17 Type Ratings were completed, including two Royal Australian Air Force No. 34 Squadron VIP fleet pilots.

Whilst no new applications were added to the airline's Electronic Flight Bag (EFB) during the reporting period, work has been ongoing in refining the existing apps to enhance usability and stability which will provide further efficiencies.

Customer, Community and Service Standards

The travel restrictions in place during 1H FY22 reporting period caused a high number of customers to cancel travel plans.

Rex's industry-leading COVID Refund Guarantee went well above obligations – with Rex not only honouring refunds for all tickets affected by a flight cancellation or rescheduling, but actually offering full refunds for customers impacted by border closures or travelling restrictions, even if their booked flight operated as scheduled, and even for non-refundable promotional tickets.

In July 2021, as cases of the Delta variant continued to rise and state borders closed, Rex announced an unprecedented initiative – a dedicated online portal for affected customers to automatically process refund requests. This meant that all online requests would see the full refund hitting the customer's bank account within seven days, ensuring that travellers had access to their cash at a time of severe financial stress for many people.

With so many customers facing financial hardship due to the pandemic, the Rex COVID Refund Guarantee provided customers with peace of mind during a period of great uncertainty – but also a period where other airlines evaded their refund obligations.

Rex publicly backed calls from Australia's leading consumer advocacy group, Choice, for legal reforms after a survey of more than 4,000 travellers revealed few had received refunds, those offered credits or vouchers instead were unlikely to be able to use them while the handful who succeeded in getting a refund were forced to wait several months to get their money back.

Furthermore, in order to service an immense influx of customer enquiries, Rex also redeployed airport staff who were on stand-down to assist with customer relations, and enlisted an overflow call centre to assist customers and reduce lengthy wait times.

As states reached target vaccination rates, and restrictions eased, Rex announced that its domestic flights would recommence from 15 November 2021, after a hiatus of approximately four months. Rex went on sale with fares to boost recovery and help Australians reconnect, unlike traditional sales, no Christmas holiday blackout dates were imposed, and travellers benefitted from affordable airfares to reunite with loved ones or take an overdue Christmas break. This included sale fares on selected routes to regional New South Wales ports starting at a never-before seen $99.

With vaccination being the primary weapon against COVID-19 transmission and avoiding lockdowns, on 1 November 2021, Rex became the first Australian airline to achieve a fully vaccinated front-line workforce.

Rex announced the progressive rollout of inflight entertainment and Wi-Fi on the airline's fleet of Boeing 737 aircraft in November 2021. Four Boeing 737s are using Intelsat's 2Ku Wi-Fi system to stay connected whilst in the air. Rex also launched an Inflight Entertainment (IFE) portal featuring inflight information, weather and a variety of free-of-charge TV shows and movies which are refreshed on a regular basis. Business class travellers enjoy complimentary internet Wi-Fi throughout their journey and passengers in the economy cabin can access Wi-Fi for a small fee.

As the catastrophic effects of the flooding in New South Wales and Queensland emerged in early March, Rex set aside $1 million worth of freight and passenger transport to help flood victims as part of the Rex Disaster Relief Fund. The fund assists communities beset by natural calamities like drought, fires and floods in regional and rural Australia.

The Rex Community Fare Scheme is an initiative pioneered by Rex as a way to ensure fare affordability and to foster passenger growth across the regional network. In a bid to boost regional tourism, Rex launched the Community Fare scheme to more destinations than ever before and also relaxed the fare conditions, so more passengers could access the highly successful scheme to alleviate the intense economic hardships faced by the regional and rural communities.

In FY22, more than 200,000 passengers were able to take advantage of the Scheme, directly benefiting the socio-economic fabric of regional Australia.

The Easter school holidays saw a surge in travel demand, consumers overcame hesitancy associated with the COVID-19 Omicron variant. It became evident that other airlines were not equipped and unable to cope with the recovery phase.

Whilst newspaper headlines told of other airlines experiencing cancellations, extensive delays, losing baggage, and a distinct lack of customer service – the data proved that for another year running, Rex was again Australia's most reliable airline.

Rex ended FY22 maintaining its overall first position for on-time departures, on-time arrivals and cancellation rate. The Bureau of Infrastructure and Transport Research Economics (BITRE) figures for June 2022 showed that Rex had the lowest flight cancellation rate at 0.7% compared to Qantas, the worst performing airline, with a whopping 8.1% of its flights cancelled in the month.

The figures mirror on time performance (OTP) results for FY22, which saw 85.4% of Rex flights depart on time, as reported by the BITRE; ranking it first for on-time departures for the third year in a row.

Rex also recorded the lowest cancellation rate of 2.3%.

Rex's unparalleled punctuality and reliability resulted in new customers choosing Rex for its dependability.

Airline	On Time Departure			Cancellation Rate		
	FY22		FY21	FY22		FY21
rex.	1st	85.4%	1st	1st	2.3%	1st
Qantas	2nd	77.9%	2nd	5th	10%	5th
QantasLink	3rd	76.6%	3rd	3rd	8.4%	3rd
Virgin Australia Regional Airlines	4th	74.6%	6th	2nd	3.3%	2nd
Virgin Australia	5th	73.6%	4th	4th	8.5%	4th
Jetstar	6th	67.9%	5th	6th	11.9%	6th

Material Risk and Risk Management

The Company recognises that it has a responsibility to conduct its activities in an environmentally and socially responsible manner.

Rex has a well-established and active Group Environmental Management Plan (GEMP) that governs the operations of the Company. Rex is aware of its responsibility to meet community expectations and legislative requirements in respect to Environmental and Social responsibility. The Company plans and manages activities so that their effect on the environment will be minimised to ensure all operations are in line with shareholder expectations.

Like all Australian airlines, the Company is subject to economic risks. The Company identifies the following risks that could adversely affect the entity's prospects for future FYs (ASX Recommendation 7.1):

- Fuel price – The Group does not have any fuel hedges at the date of this report. The Group continues to closely monitor Brent Crude prices.
- Foreign exchange rates – The Group's main financial risk is its exposure to the US dollar, and hence, its main objective is to minimise the impact of USD fluctuation on its operations. The Group will monitor the exchange rate closely and will hedge whenever the rates are favourable.
- COVID-19 impact - The Board and Senior Management took measures to reduce costs to the Company in response to the worsening trading conditions brought about by COVID-19. These measures included stand downs, voluntary salary reductions, leave without pay and clearing of annual leave balances. Please refer to Note 4 to the Consolidated Financial Statements for further commentary.

The Company also faces the risk of pilot attrition in the long-term. This has been mitigated by the establishment of Rex's pilot cadet training programme which has been operating successfully from its pilot training academy Australian Airline Pilot Academy in Wagga Wagga, New South Wales. More than half of the active pilot strength within Rex is made up of graduates from this programme.

Enterprise Agreements (EA)

For the duration of FY22, all Agreements remained in negotiation, being the Saab 340 Flight Attendant Enterprise Agreement, Saab 340 Pilots' Enterprise Agreement, Saab 340 Aircraft Engineers Agreement, and the Airline Services Collective Agreement, which have expired. Three new agreements were also in negotiations, being the Boeing 737 Flight Attendants, the Boeing 737 Pilots, and Ramp and Catering.

On 22 June 2022, Saab 340 pilots voted to support industrial action after the Australian Federation of Air Pilots (AFAP) applied to the Fair Work Commission (FWC) for permission to hold a ballot on taking Protected Industrial Action (PIA). Through COVID, Rex was the only airline that had not retrenched any pilots, and the pilot community stood by the Company during this period, with close to 90% refusing to take action which would be detrimental to the Company.

12 Changes in State of Affairs

On 29 January 2021, shareholders overwhelmingly endorsed investment by PAG of up to $150 million to be used exclusively to support the launch of Rex's domestic jet operations which commenced on 1 March 2021. During FY22, Rex has drawn down an additional $25 million from PAG bringing the total drawdown to $75 million.

In December 2021, Rex commenced work on a new code C size aircraft hangar at Sydney Airport.

Rex realised its dream of servicing the 'Golden Triangle' – Australia's most lucrative domestic trunk routes connecting Sydney, Melbourne and Brisbane, in December 2021 when flights between Brisbane and Melbourne, and Brisbane and Sydney were launched with Rex's fleet of Boeing 737 aircraft.

Pel-Air's five Beechcraft King Air 350C aircraft in New South Wales Ambulance livery.

On 1 January 2022, Pel-Air commenced its contract for the provision of fixed-wing air ambulance services for New South Wales Ambulance with a fleet of five new Beechcraft King Air 350C aircraft. Pel-Air is now working towards bringing two Pilatus PC-24 jets into service after being awarded a contract to replace two King Air aircraft with the jets in FY24.

Pel-Air was awarded a 12-year fixed-wing air ambulance services contract by Ambulance Victoria in February 2022. The contract is worth more than $300 million with its operational phase beginning in January 2024.

Following a competitive tender, which was announced in November 2021, Rex commenced six of the seven Queensland Regulated air service routes on 1 January 2022. Rex was awarded the Central 1 route previously serviced by QantasLink, and was reawarded the Gulf, Northern 1 & 2 and Western 1 & 2 routes. Rex holds the contract for a period of five years.

In February 2022, Rex completed the acquisition of Propeller and Propulsion Services from Airbus New Zealand, renamed as Australian Aero Propeller Maintenance Pty Ltd (AAPM).

On 5 February 2022, Rex, together with New South Wales Premier Dominic Perrottet and Deputy Premier and Minister for Regional NSW Paul Toole, announced Rex had been awarded a multi-million dollar assistance package by the New South Wales State Government to support the creation of over 2,500 direct and indirect new jobs in New South Wales under the State's Jobs Plus program. The three components of the grant include Payroll Tax Rebate on new hires; Subsidised Training Rebate; and the Enabling Infrastructure Rebate.

In June 2022, Rex announced that it had signed multiple partnership agreements with major travel agency groups, which would come into effect from FY23. The agreements include Helloworld, Webjet, Consolidated Travel, Corporate Travel Management, and in particular a landmark 10-year agreement with Flight Centre which ensures that Rex will be Flight Centre's partner of choice over the next decade. The deal covers all of Flight Centre Travel Group's leisure, corporate and independent travel brands and extends to all of its key geographic regions.

13 Subsequent Events

Rex commenced a massive expansion of regional services from 4 July 2022. The steep increase to 11 key regional markets saw up to a 67% boost in weekday services to some destinations. The increase signalled strong recovery in the regional centres of Albury, Broken Hill, Coffs Harbour, Dubbo, Orange, Griffith, Merimbula, Moruya, Port Macquarie, Wagga Wagga, Mildura and Port Lincoln; and exceeding pre-COVID capacity.

Regional route increases as at 4 July 2022 Additional capacity added (%)			
Sydney – Albury	25%	Sydney – Merimbula/Moruya	15%
Sydney – Broken Hill	50%	Sydney – Port Macquarie	33%
Sydney – Coffs Harbour	67%	Sydney – Wagga Wagga	67%
Sydney – Dubbo	25%	Melbourne – Mildura	33%
Sydney – Orange	33%	Adelaide – Port Lincoln	14%* on Fridays
Sydney – Griffith	33%		

*Rex operates up to 7 return flights per weekday; with Friday increased to 8.

Rex announced that July 2022's revenue and passenger numbers were reaching pre-COVID levels for its regional operations along with an improvement in revenue per flight (8%) and load factor (7%). The increased demand was attributed in large part to strategic partnerships with travel agency groups and securing corporate accounts. Load factor dipped slightly for August 2022, however achieved over 80% for September 2022.

The modern National Jet Express fleet includes six Embraer 190 aircraft (pictured).

On the 15 July 2022 Rex announced that it had signed a Sale and Purchase Agreement to purchase National Jet Express Pty Ltd (NJE) which is also referred to as Cobham Regional Services. NJE would be acquired through Rex Freight and Charter Pty Ltd (RFC) forming a Joint Venture with private parties and would result in RFC owning 50% of NJE. NJE is a leading provider of Fly-In Fly-Out (FIFO) services in Western Australia and South Australia. It also operates freight services from Sydney to Adelaide, Brisbane, Melbourne and the Gold Coast, as well as air charter services in Papua New Guinea. Revenue for NJE in the calendar year 2021 was $142m. NJE has a fleet of 21 aircraft including eight De Havilland Dash 8-400 and six Embraer 190. Both these aircraft types are fuel efficient, have enhanced operational reliability and low carbon emissions. The Australian Competition and Consumer Commission granted pre-assessment clearance for the purchase of NJE on 26 July 2022. The Foreign Investment Review Board granted approval on 15 September 2022. The acquisition was completed on 30 September 2022.

Rex took delivery of its 61st Saab 340B *plus* aircraft in July 2022.

Rex and Australian-headquartered Dovetail Electric Aviation announced on 21 July 2022 the signing of a Letter of Intent for the formation of a strategic partnership to pioneer the conversion of turbine powered aircraft to electric, nil emission propulsion. Rex will provide an aircraft to be used as a test bed for the retrofitting of electric engines onto legacy aircraft, initially for regional and general aviation aircraft. In addition, Rex will lend its aviation and engineering expertise, technical assistance, maintenance, repair and overhaul (MRO support as well as storage facilities and workforce accommodation.

Mayor Dallas Tout, Wagga Wagga City Council; Rex Ambassador and former Federal MP for Riverina, Kay Hull AO; Rex Deputy Chairman, Hon John Sharp AM; State Member for Wagga Wagga, Dr Joe McGirr MP; and Warrick Lodge, Rex General Manager, Network Strategy, pictured at Wagga Wagga Airport celebrating Rex's 20th Anniversary.

Following Qantas' announcements that it was suspending and cancelling operations on the Melbourne-Wagga Wagga and Melbourne-Mount Gambier routes respectively, Rex once again called on the Australian Competition and Consumer Commission to reopen its investigation and enforcement actions into Qantas' predatory behaviour. Rex had predicted that Qantas had launched these routes as an opportunistic strategy to flood the market with excess capacity to weaken Rex. With Qantas adjusting its capacity due to lack of aircraft and patronage, it demonstrated that the routes were uneconomical.

On 2 August 2022, Rex celebrated its 20th Anniversary. Rex held a special ceremony in Wagga Wagga to commemorate the airline's first flight, which flew from Wagga Wagga to Sydney. Passengers also joined the day's festivities as they were feted with surprise sparkling wine and special commemorative giveaways. Rex also celebrated the Anniversary with an announcement that it had achieved record high passenger numbers and revenue across both its domestic and regional networks in the first month of the Financial Year 2023 (FY2023), with July 2022's base passenger revenue on the domestic network almost double the monthly average of the prior three months, with a load factor of 86% across the entire domestic network.

rex. | *Celebrating* **20 YEARS**

Our Government values the economic and social contribution of a strong, competitive aviation market in Australia. For 20 years now Rex has been a robust competitor in this market, especially in our regions. I am pleased to add my personal congratulations to the company on this anniversary.

The Hon. Catherine King MP
Minister for Infrastructure, Transport, Regional Development and Local Government

Over two decades, Rex has become one of the threads that keeps communities connected across our huge continent. Rex is now a staple of the Australian sky, flourishing and creating jobs in the process. Good jobs that Rex staff can take great pride in. Congratulations, and here's to your next twenty years.

The Hon. Anthony Albanese MP
Prime Minister of Australia

We should never forget that for regional and rural Australians, Rex is more than just another airline. Your service connects many Australians to friends, family and essential services in a way that would otherwise be impossible.
In connecting regional centres, you also help to power and grow the economies of so many communities.
Rex has an exciting future ahead.

The Hon. Peter Dutton MP
Leader of the Opposition

Congratulations to Rex Airlines as you celebrate 20 years of operation. For two decades, you have connected regional and urban Australia as one of the country's largest independent regional carriers.

May the legacy you have created over the past 20 years continue long into the future.

The Hon. Dominic Perrottet MP
Premier of New South Wales

Rex Airlines plays a critical role in employing Victorians, hosting thousands of flyers and servicing regional cities across our state. Your work has supported local communities affected by flood, fire and pandemic. Congratulations on your 20th anniversary and all the very best in the years ahead.

The Hon. Dan Andrews MP
Premier of Victoria

For two decades, Rex has been going the distance – taking to the sky to connect the people of regional and remote Australia. On behalf of the Queensland Government, I commend Rex for their ongoing commitment to service delivery and for creating opportunities to explore Queensland's unique landscape.

The Hon. Annastacia Palaszczuk MP
Premier of Queensland

Rex Airlines has been a great asset to Western Australia since it started flying between Albany and Esperance to Perth in February 2016, followed by the addition of the Carnarvon and Monkey Mia route in July 2018. On behalf of the Western Australian government, I congratulate Rex on 20 years of operations, and thank you for your continuing commitment to our State and our communities.

The Hon. Mark McGowan MLA
Premier of Western Australia

It is a great pleasure to congratulate Rex Airlines on twenty years serving the people of regional Australia. I thank Rex for their commitment to SA, congratulate them on 20 years of service and achievement, and send my very best wishes for a bright, successful future under our wide southern skies.

The Hon. Peter Malinauskas MP
Premier of South Australia

On behalf of Tasmanians I would like to extend our sincere congratulations to Rex Airlines.
We appreciate the deep history of Rex in enabling and connecting communities and we value the services Rex Airlines provide to Tasmania. We look forward to continued growth of Rex services in Tasmania.

The Hon. Jeremy Rockliff MP
Premier of Tasmania

From humble beginnings, Rex has grown into Australia's largest regional airline and has remained committed to connecting Australia.
On behalf of the ACT Government, I would like to congratulate Rex on this significant milestone and look forward to our connections continuing to thrive.

Mr Andrew Barr MLA
Chief Minister of the Australian Capital Territory

Rex wishes to thank all our partners and the people of Australia for helping us to be what we are today.

Proud partners

Members of the Rex Group

Print advertisements taken out by our partners to congratulate Rex on its 20th Anniversary.

On 19 August 2022, Rex commenced services between Melbourne and Devonport. The Tasmanian Premier, the Hon. Jeremy Rockliff MP, was joined by Rex Deputy Chairman, the Hon. John Sharp AM and the Chief Executive Officer of the Tasmanian Ports Corporation (TasPorts), Anthony Donald to welcome the inaugural flight with a press conference. Devonport Mayor, Annette Rockliff, and Latrobe Mayor, Peter Freshney, also took part in the inaugural celebrations.

In September 2022, Rex announced that the Domestic Boeing 737 Flight Attendant and Saab 340 Aircraft Engineer Enterprise Agreements (EA) were overwhelmingly endorsed, with majorities of 75% and 92% respectively. By the date of this report, the Fair Work Commission (FWC) had already approved the Flight Attendant EA.

The airline's seventh Boeing 737 landed in Australia, with registration VH-MFM, entering service on 9 September 2022.

Pel-Air remains on track to deliver a brand new fleet of aircraft for the provision of fixed wing air ambulance services from January 2024 for its Ambulance Victoria contract, as awarded in February 2022. The contract features four new state-of-the-art aircraft; two Beechcraft King Air 260s (B260) and two Beechcraft King Air 360s (B360). The contract is for the provision of air ambulance services for 12 years. At the date of this report, the two B260s and one B360 have arrived in Australia, with modifications due to commence.

Latrobe Mayor, Peter Freshney; Tasmanian Premier, the Hon. Jeremy Rockliff MP; Rex Deputy Chairman, John Sharp; CEO, Tasmanian Ports Corporation Anthony Donald; and Devonport Mayor, Annette Rockliff at the launch of Devonport services.

14 Future Events

Rex is continuing to invest in growth and support its expanding business.

This includes continued construction of the new Sydney Hangar (slated for completion by March 2023) and expanded or new lounges in Sydney, Melbourne, Adelaide and Brisbane.

Rex continues to progress its partnership with Delta Air Lines, the leading global airline, with hopes to launch reciprocal interline ticketing and baggage services in Q2 FY23.

Rex will also commence building a new, national storage complex warehouse in Wagga Wagga to hold the airlines' aircraft parts inventory.

Rex will boost the fleet of its newest investment, National Jet Express, with more modern fuel efficient Dash 8-400 and Embraer 190 aircraft to gain a greater share of the FIFO market in Queensland and the Northern Territory.

Rex will also expand its fleet for domestic RPT operations by adding another two Boeing 737s by Q3 of FY23.

15 Environmental Developments

Rex continued to explore the application of fossil fuel alternatives using batteries, biofuel or hydrogen to greatly reduce its carbon footprint in the years ahead.

During FY22, Rex continued to be an active participant in programs aimed at maximising energy efficiency and reducing greenhouse gas emissions in accordance with the National Greenhouse Energy Reporting Act 2007 (NGER).

Rex is due to submit its 13th NGER report to the Clean Energy Regulator in October 2022.

16 Dividends

No Final Dividend will be paid for FY22 in the light of losses in the FY due to the COVID-19 Pandemic.

17 Indemnification of Officers and Auditors

During the FY, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretaries (as named above), and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the FY, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

18 Remuneration Report

Remunerations, Nominations and Disciplinary Committee

Rex's board of directors has established a Remunerations, Nominations and Disciplinary Committee for the purpose of determining and reviewing compensation arrangements for the directors and the senior management executives of the Group. This committee has a process for performance evaluation of the board, its committees and key executives of Rex. The committee's role is to assess the appropriateness of the nature and amount of remuneration of directors and senior management executives on a periodic basis.

Remuneration Policy

Remuneration levels are set to enable Rex and its subsidiaries to attract and retain appropriately qualified and experienced directors and senior management executives, who will create sustainable value for shareholders and other stakeholders. They also fairly and responsibly reward directors and senior management, having regard to the performance of the Group, the performance of the individual and the external compensation environment.

Remuneration Structure

In accordance with best practice corporate governance, a distinction has been drawn between the remuneration structure of Rex's non-executive directors and that of its senior management executives. This enables Rex to maintain the independence of non-executive directors and reward senior management executives for their performance of duties and their dedication.

Rex has set in place a remuneration model for all staff, which calls for staff accepting a lower fixed annual salary increase in exchange for a profit share and a share plan.

Profit Share Incentive Plan

The profit share incentive scheme, established in FY06, continues to award eligible employees a share of Rex's profit before tax (PBT) based on an agreed percentage (excluding contributions from subsidiaries and associates) for the FY immediately preceding the award. Profit share is allocated on an equal share basis meaning all eligible staff receive the same profit share amount per full time equivalent regardless of position held within the Company. Permanent part-time employees receive an amount proportional to their employment hours.

Share Gift Plan

Rex established the share gift plan (effective from FY06) for its executive directors and eligible employees. The plan is offered to EA groups that opt for the plan and all non-EA employees who are not the subject of an adverse recommendation by the Remunerations, Nominations and Disciplinary Committee. This plan is not based on any performance measures (other than eligibility for non-EA employees). The plan was established to show its recognition of employees' contribution to Rex by providing an opportunity to share in its future growth and profitability and to align the interests of the employees more closely with the interests of the shareholders. As such, the share gift plan entitles eligible employees to a fixed value of shares equivalent to a percentage of their base salaries. There are no vesting conditions attached to the share gift.

Management Incentive Scheme

In 2021, Rex established the Management Incentive Scheme ('MIS') for executive directors, key management personnel and eligible employees. The scheme was granted to these employees contingent upon approval by the Remunerations, Nominations and Disciplinary Committee ('RemCom'), and subject to a shareholder vote during the January 2021 AGM. The Scheme is based on an ongoing profit before tax (PBT) hurdle and is assessed each year for seven years to determine if the vesting condition has been satisfied.

The MIS was introduced to promote the long-term success of Rex and to establish a shared goal between Rex and all eligible participants to align the interests of Rex employees and shareholders.

In line with the above, one Performance Right under MIS ("Performance Right" or "Right") grants the participant entitlement to one ordinary Rex share upon satisfaction of the vesting condition.

Director and Senior Management Details

The following persons acted as directors of the Company during or since the end of the FY:

Lim Kim Hai (Chairman)
The Hon. John Sharp AM (Deputy Chairman)
Lee Thian Soo
Neville Howell
Chris Hine
Jim Davis
Prof. Ron Bartsch AM
Lincoln Pan
Sid Khotkar

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the FY and since the end of the FY:

Neville Howell (Chief Operating Officer)
Warrick Lodge (General Manager, Network Strategy)
Irwin Tan (General Manager, Corporate Services/Company Secretary)
Mayooran Thanabalasingam (General Manager, Information Technology & Communications)
Png Yeow Tat (General Manager, Engineering)
Mark Burgess (Deputy General Manager, Engineering)
Paul Fisher (General Manager, Flight Operations & Chief Pilot)
David Brooksby (National Airports Manager)

Remuneration of Directors and Senior Management

The directors and other nominated key management personnel received the following amounts as compensation for their services as directors and executives of the Company and/or the Group during the year:

	Fixed remuneration				Variable remuneration		Total	% Remuneration		
		Post employment benefits			Short-term benefits	Long-term benefits				
	Cash salary & fees $	Pension & superannuation $	Long service leave $	Share gift issued $	Cash profit sharing $	Performance rights $	$	Fixed benefits %	Short-term benefits %	Long-term benefits %
EXECUTIVE DIRECTORS										
LIM KIM HAI, Executive Chairman										
2022	-	-	-	-	-	-	-	0%	0%	0%
2021	-	-	-	-	-	-	-	0%	0%	0%
CHRIS HINE, Executive Director & Group Flight Operations Advisor										
2022	235,000	22,630	5,000	4,000	-	46,166	312,796	85%	0%	15%
2021	182,125	17,068	5,000	2,228	-	7,153	213,574	97%	0%	3%
NEVILLE HOWELL, Executive Director & Chief Operating Officer										
2022	325,000	23,568	4,996	6,000	-	115,414	474,978	76%	0%	24%
2021	274,274	21,330	4,996	4,356	-	17,883	322,839	94%	0%	6%
NON-EXECUTIVE DIRECTORS										
JOHN SHARP, Deputy Chairman										
2022	140,000	14,000	-	-	-	184,662	338,662	45%	0%	55%
2021	116,308	11,049	-	-	-	28,613	155,970	82%	0%	18%
LEE THIAN SOO, Non-Executive Director										
2022	40,000	-	-	-	-	-	40,000	100%	0%	0%
2021	31,385	-	-	-	-	-	31,385	100%	0%	0%
RON BARTSCH, Non-Executive Director										
2022	40,000	4,000	-	-	-	46,166	90,166	49%	0%	51%
2021	33,538	3,186	-	-	-	7,153	43,877	84%	0%	16%
JIM DAVIS, Non-Executive Director										
2022	50,000	5,000	-	-	-	46,166	101,166	54%	0%	46%
2021	40,308	3,829	-	-	-	7,153	51,290	86%	0%	14%
LINCOLN PAN, Non-Executive Director (appointed 15 March 2021)										
2022	-	-	-	-	-	-	-	0%	0%	0%
2021	-	-	-	-	-	-	-	0%	0%	0%
SID KHOTKAR, Non-Executive Director (appointed 15 March 2021)										
2022	-	-	-	-	-	-	-	0%	0%	0%
2021	-	-	-	-	-	-	-	0%	0%	0%

Continued on following page.

	Fixed remuneration				Variable remuneration		Total	% Remuneration		
		Post employment benefits			Short-term benefits	Long-term benefits				
	Cash salary & fees $	Pension & superannuation $	Long service leave $	Share gift issued $	Cash profit sharing $	Performance rights $	$	Fixed benefits %	Short-term benefits %	Long-term benefits %
SENIOR MANAGEMENT EXECUTIVES										
WARRICK LODGE, GM, Network Strategy										
2022	250,000	23,322	4,163	5,000	-	92,331	374,816	75%	0%	25%
2021	204,451	18,642	4,163	3,647	-	14,306	245,209	94%	0%	6%
IRWIN TAN, GM, Corporate Services										
2022	265,000	23,568	4,163	5,000	-	92,331	390,062	76%	0%	24%
2021	215,944	19,022	4,163	3,647	-	14,306	257,082	94%	0%	6%
MAYOORAN THANABALASINGHAM, GM, IT & Communications										
2022	257,000	23,568	4,163	5,000	-	92,331	382,062	76%	0%	24%
2021	212,152	19,041	4,163	3,647	-	14,306	253,309	94%	0%	6%
PAUL DAVID FISHER GM, Flight Operations & Chief Pilot										
2022	280,000	23,568	7,000	5,600	-	34,624	350,792	90%	0%	10%
2021	240,396	20,653	7,000	4,129	-	5,365	277,543	98%	0%	2%
PNG YEOW TAT, GM, Engineering										
2022	260,000	23,322	4,163	5,000	-	92,331	384,816	76%	0%	24%
2021	213,568	19,508	4,163	3,647	-	14,306	255,192	94%	0%	6%
MARK BURGESS Deputy, GM, Engineering										
2022	185,000	18,500	4,500	3,600	-	34,624	246,224	86%	0%	14%
2021	160,685	15,265	4,500	2,883	-	5,365	188,698	97%	0%	3%
DAVID BROOKSBY, National Airports Manager										
2022	240,000	22,861	3,830	4,600	-	92,331	363,622	75%	0%	25%
2021	190,434	17,643	3,830	3,140	-	14,306	229,353	94%	0%	6%
TOTAL										
2022	**2,567,000**	**227,907**	**41,978**	**43,800**	**-**	**969,477**	**3,850,162**	**75%**	**0%**	**25%**
2021	**2,115,568**	**186,236**	**41,978**	**31,324**	**-**	**150,215**	**2,525,321**	**94%**	**0%**	**6%**

Relationship Between the Remuneration Policy and Company Performance

In addition to the profit share and share gift schemes that apply to all non-EA staff, a Key Manager bonus, fixed by the Remunerations, Nominations and Disciplinary Committee, was given to selected members of executive management based on an assessment of the recipient's performance during the year.

Management Incentive Scheme

The Management Incentive Scheme also draws on Rex's financial performance regarding profit before tax (PBT). The vesting conditions of the MIS plan include a service condition and a performance condition:

Service Condition

An eligible participant must remain employed as either an employee or director as applicable for the duration of the Performance Rights up to the vesting date.

Performance Condition

The number of Performance Rights that vest will be determined by the RemCom based on participant performance relative to the following Profits Before Tax (PBT) hurdles:

- If the group reaches PBT of $50m in a full financial year, 10% of the Performance Rights vest
- If the group reaches PBT of $100m in a full financial year, a further 30% of the Performance Rights vest
- If the group reaches PBT of $150m in a full financial year, a further 30% of the Performance Rights vest
- If the group reaches PBT of $200m in a full financial year, a further 30% of the Performance Rights vest

These hurdles can each only be achieved once, i.e. if PBT is $50m in Year 1 and $100m in Year 2, then 10% of the total available Performance Rights vest in Year 1, and a further 30% of the total available Performance Rights vest in Year 2. If more than one vesting condition is achieved in any Financial Year, then the Performance Rights available to be vested will be the accumulation of the Performance Rights for each relevant vesting condition that is satisfied.

The tables below set out summary information about the Group's results and movements in shareholder wealth for the five years to June 2022, including PBT performance and whether or not an MIS vesting hurdle was achieved. The MIS vesting hurdle was not achieved in the FY22.

	30 June 2022 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2019 $'000	30 June 2018 $'000
Revenue	319,242	256,152	321,820	317,649	295,536
Net profit / (loss) before tax	(68,316)	(7,217)	(27,416)	25,201	25,075
Net profit / (loss) after tax	(46,141)	(3,859)	(19,397)	17,517	16,913

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Share price at start of year	$1.23	$1.19	$1.37	$1.46	$1.04
Share price at end of year	$1.06	$1.19	$1.19	$1.42	$1.43
Interim dividend	-	-		$0.04	$0.04
Final dividend[1,2]	-	-		$0.08	$0.08
Basic earnings / (loss) per share	(41.5cps)	(3.5 cps)	(17.8 cps)	16.1 cps	15.7 cps
Diluted earnings / (loss) per share	(41.5cps)	(3.5 cps)	(17.8 cps)	16.1 cps	15.7 cps

[1] The final dividend is per share fully franked and after corporate tax of 30%.

[2] Declared after the balance date and reflected in the financial statements of the year of payment.

Analysis of Management Incentive Scheme Rights

The below table details the allocation of MIS Performance Rights to each recipient as determined by the Remunerations, Nominations and Disciplinary Committee under the 2021 plan during the financial year.

(i) % Forfeit represents the granted Performance Rights lapsing due to contract termination.

(ii) For further information regarding the valuation methodology for the MIS Performance Rights refer to Note 32. The MIS Performance Rights have been accounted for in accordance with the requirements of AASB 2 *Share-based payment.*

Recipient	Number of Rights offered	Fair value per Right	Total value	Vested %	Forfeit %	At-risk %
EXECUTIVE DIRECTORS						
Lim Kim Hai, Executive Chairman	-	-	-	-	-	-
Chris Hine, Executive Director & Group Flight Operations Advisor	400,000	$0.65	$260,800	0%	0%	0%
Neville Howell, Executive Director & Chief Operating Officer	1,000,000	$0.65	$652,000	0%	0%	0%
NON-EXECUTIVE DIRECTORS						
John Sharp, Deputy Chairman	1,600,000	$0.65	$1,043,200	0%	0%	0%
Lee Thian Soo, Non-Executive Director	-	-	-	-	-	-
Ron Bartsch, Non-Executive Director	400,000	$0.65	$260,800	0%	0%	0%
Jim Davis, Non-Executive Director	400,000	$0.65	$260,800	0%	0%	0%
Lincoln Pan, Non-Executive Director	-	-	-	-	-	-
Sid Khotkar, Non-Executive Director	-	-	-	-	-	-
SENIOR MANAGEMENT EXECUTIVES						
Warrick Lodge, GM, Network Strategy	800,000	$0.65	$521,600	0%	0%	0%
Irwin Tan, GM, Corporate Services	800,000	$0.65	$521,600	0%	0%	0%
Mayooran Thanabalasingam, GM, IT and Communications	800,000	$0.65	$521,600	0%	0%	0%
Paul David Fisher, GM, Flight Operations & Chief Pilot	300,000	$0.65	$195,600	0%	0%	0%
Png Yeow Tat, GM, Engineering	800,000	$0.65	$521,600	0%	0%	0%
Mark Burgess, Deputy GM, Engineering	300,000	$0.65	$195,600	0%	0%	0%
David Brooksby, National Airports Manager	800,000	$0.65	$521,600	0%	0%	0%
Total	**8,400,000**	**-**	**$5,476,800**	0%	0%	0%

Shares Under Performance Rights

There were no issued or unissued Performance Rights at the start of the year. The following table sets out the details of unissued shares or interests under Performance Rights as at 30 June 2022.

Issuing Entity	Number of shares under Performance Rights	Class of shares	Exercise price of Performance Rights	Expected exercise date
Regional Express Holdings Limited	8,400,000	Ordinary	$0.00	06 May 2028

Transactions with KMP from Shares Under MIS

No Performance Rights issued under the MIS have vested this year, therefore there have been no exercised Performance Rights.

Key Terms of Employment Contracts

Employment contracts between the senior management executives and the Group do not have a specified duration. A notice of four weeks must be given for senior management executives to terminate their contract. There are no extraordinary termination payments set out in the contracts of the senior management executives of the Group.

Key Management Personnel Equity Holdings

The following table details the shareholdings (total of direct and indirect shareholdings) of directors and key management personnel in the Group:

	Balance at 1 July 2021	Increase / (Decrease) during the year	Balance at 30 June 2022
Directors:			
Lim Kim Hai	24,753,859	-	24,753,859
John Sharp	325,032	-	325,032
Lee Thian Soo	11,449,362	-	11,449,362
Neville Howell	30,075	4,959	35,034
Chris Hine	81,404	3,306	84,710
Jim Davis	200,866	-	200,866
Ron Bartsch	-	-	-
Lincoln Pan	-	-	-
Sid Khotkar	-	-	-
Key management personnel:			
Warrick Lodge	166,657	4,132	170,789
Irwin Tan	42,371	4,132	46,503
Mayooran Thanabalasingam	95,019	4,132	99,151
Paul Fisher	52,818	4,628	57,446
Png Yeow Tat	35,712	4,132	39,844
Mark Burgess	28,059	2,975	31,034
David Brooksby	28,522	3,802	32,324

This concludes the remuneration report which has been audited.

Updates Concerning Rex's Annual General Meeting

Rex's AGM, held on 29 January 2021, brought forward the structure and outline of the MIS. At the meeting, shareholders voted either in support or rejection of the scheme for each plan participant. All proposed grants were approved as a result of the poll.

19 Proceedings on Behalf of the Company

No proceedings have been brought on behalf of the Group, nor has any application been made in respect of the Group under s.237 of the *Corporations Act 2001.*

20 Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 27 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

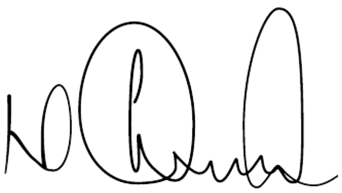
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

21 Rounding Off Amounts

In accordance with Legislative Instrument 2016/191 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 to the nearest hundred thousand dollars in accordance with that Legislative instrument, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors,



Neville Howell
Chief Operating Officer
Sydney, 30 September 2022

Auditor's Independence Declaration

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF REGIONAL EXPRESS HOLDINGS LIMITED

As lead auditor of Regional Express Holdings Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Regional Express Holdings Limited and the entities it controlled during the year.

John Bresolin
Director

BDO Audit Pty Ltd

Sydney, 30 September 2022

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Corporate Governance Statements

Corporate Governance Statement

The Board is committed to sound corporate governance to ensure shareholder expectations are met and that Regional Express Holdings (the Company) is in compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Recommendations).

As required by the ASX Listing Rules this statement sets out the extent to which the Company has complied with the ASX Recommendations during the FY to 30 June 2022 and identifies any of the ASX Recommendations not followed and the reason why the Company has not adopted the ASX Recommendations. This statement adopts the ordering and numbering of the ASX Recommendations. The Board acknowledges the revised ASX Recommendations set out in the 4th Edition of the Corporate Governance Principles and Recommendations in February 2019; the revised ASX Recommendations has been fully effective in FY22.

Principle 1: Lay Solid Foundations for Management and Oversight

The Board has adopted a charter that details the roles and responsibilities of the Board and those of the Management Committee to achieve the objectives of delivering shareholder value. The Board regularly reviews the division of functions between the Board and management to ensure that it continues to be appropriate to the needs of the Company (ASX Recommendation 1.1). The Remunerations, Nominations and Disciplinary Committee undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. The biography of each director standing for election or re-election is expressly mentioned in the Notice of Meeting of the Company's AGM (ASX Recommendation 1.2). The Directors and Management Committee have a clear understanding of their roles and responsibilities and of the Company's expectations of them as set out in their employment contracts (ASX Recommendation 1.3). The Company Secretaries are integral in advising the Board and its committees on governance matters, ensuring that board and committee policy and procedures are followed, and helping to organise and minuting discussions of board and committee meetings (ASX Recommendation 1.4).

The performance of each Management Committee member is evaluated against goals and objectives set out in the Charter with the assistance of the Remunerations, Nominations and Disciplinary Committee. The performance of the Management Committee was reviewed in FY22 (ASX Recommendation 1.7). The performance of the Directors and Board Committees are reviewed periodically with the assistance of the Remunerations, Nominations and Disciplinary Commit- tee. The performance and the composition of the Board Committees were reviewed in FY22 against objectives set out in the relevant Board Charters (ASX Recommendation 1.6). The Board's Charter, Board Committee Charters, Share Trading Policy, Continuous Disclosure Policy and Code of Conduct are available for access by shareholders and the general public in the corporate governance section of the Company's website (ASX Recommendation 3.5).

Principle 2: Structure the Board to Add Value

The Remunerations, Nominations and Disciplinary Committee has been established by the Board of the Company (ASX Recommendation 2.1) and applies to the Company and its subsidiaries to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by endeavouring to ensure that:

- the directors and senior management of the Group are remunerated fairly and appropriately;
- the Group's remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders, and rewarding and motivating the Group's executives and employees in order to secure the long-term benefits of their energy and loyalty;
- the human resources policies and practices are consistent with and complementary to the strategic direction and objectives of the Company as determined by the Board;
- it reviews and advises the Board on the composition of the Board and its Committees;
- it reviews the performance of the Board, the chairman of the Board, the executive and non-executive directors, and other individual members of the Board; and
- proper succession plans are in place for consideration by the Board.

This Committee is chaired by Jim Davis and has one other member, Neville Howell. The Committee had one meeting during the FY attended by all members of the Committee. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report.

The Board acknowledges the ASX Recommendations to have the Committee composed of a majority of independent directors and have at least three members. The Committee is currently chaired by an independent director. The Board feels at this stage that two members are sufficient for the Remunerations, Nominations and Disciplinary Committee given the size of the Company and Board.

The Remunerations, Nominations and Disciplinary Committee has a formal charter which is available on the Company's website.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are set out in the Directors' Report. The Board has adequate professional skills in each of the respected areas and a review has been conducted in FY21 and agreed no further professional training is required at this stage. In addition, Baker McKenzie conducted refresher training on the Company's continuous disclosure obligations in FY21 (ASX Recommendation 2.6).

Below is the Rex Board skills matrix outlining the list of skills that the board currently has (ASX Recommendation 2.2):

		LIM KIM HAI	JOHN SHARP	LEE THIAN SOO	SID KHOTKAR	LINCOLN PAN	RON BARTSCH	JIM DAVIS	CHRIS HINE	NEVILLE HOWELL
BUSINESS / ENTREPRENEURIAL EXPERIENCE			X	X	X	X	X	X		
POLITICAL EXPERIENCE			X							
CORPORATE GOVERNANCE		X	X	X	X	X	X			
SAFETY AND RISK MANAGEMENT							X	X	X	X
FINANCE		X			X	X				
LEGAL						X	X			
INDUSTRY EXPERIENCE	REGULATORY KNOWLEDGE & EXPERIENCE						X	X	X	X
	PILOT		X				X	X	X	X
	ENGINEERING KNOWLEDGE		X					X		

The membership of the Board during the year ended 30 June 2022, including independence status, was as follows (ASX Recommendation 2.3):

Director	Status	Date of Appointment
Lim Kim Hai	Executive Chairman	Appointed 27 June 2003.
The Hon. John Sharp AM	Deputy Chairman & Independent Director	Appointed 27 June 2003.
Lee Thian Soo	Non-Executive Director	Appointed 27 June 2003.
Lincoln Pan	Non-Executive Director	Appointed 15th March 2021.
Sid Khotkar	Non-Executive Director	Appointed 15th March 2021.
Neville Howell	Chief Operating Officer & Executive Director	Appointed 1 July 2014.
Chris Hine	Executive Director & Group Flight Operations Advisor	Appointed 1 March 2011 as Executive Director. Appointed 1 July 2014 as Non-Executive Director. Appointed 18 May 2015 as Executive Director and Group Flight Operations Advisor.
Jim Davis	Independent Director	Appointed 26 August 2004 as Executive Director; Appointed 27 May 2008 as Managing Director and retired 1 July 2011; Appointed 23 November 2011 as an Independent Director.
Ron Bartsch AM	Independent Director	Appointed 23 November 2010.

The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors (ASX Recommendation 2.4). Although the Board has only three directors out of nine who qualify as independent non-executive directors, Lee Thian Soo is only considered non-independent by virtue of his share ownership and is considered by the Board to be effectively an Independent Director. Lincoln Pan and Sid Khotkar were appointed as Non-Executive Directors in accordance with the requirements under the PAG Transaction. The Board believes that every director on the current Board will make decisions in the best interests of all shareholders and in accordance with their duties as directors.

The Board also acknowledges that it is desirable that the Chairman be an independent director and for his role to be segregated from that of the Chief Executive Officer (ASX Recommendations 2.5). However, the Board views the Chairman's history of leadership of the Company as an advantage, both at the management level and at the Board level. This has resulted in performance that matches the best airlines in the world. The Board acknowledges that if the Chair is not an independent director, the Deputy Chairman should be an independent director, which is the case.

The Board is responsible for the management of the affairs of the Company and its subsidiaries (the Group), including:

(A) Strategic and Financial Performance

- Developing and approving the corporate strategy.
- Evaluating, approving and monitoring the strategic and financial plans and objectives of the Group.
- Evaluating, approving and monitoring the annual budgets and business plans.

- Determining the Company's dividend policy, the operation of the Company's dividend re-investment plan (if any), and the amount and timing of all dividends.
- Evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities of the Company.
- Approving all accounting policies, financial reports and material reporting and external communications by the Group.
- Appointment of the Chairman of the Company

(B) Executive Management

- Appointing, monitoring and managing the performance of the Chief Operating Officer or Managing Director and other executive directors.
- Managing succession planning for the executive directors and such other key management positions which may be identified from time to time.
- Appointing the Company Secretary.
- With the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, reviewing and approving the performance and remuneration of the individual Board members and policies with respect to the remuneration of any employees.

(C) Audit

- Upon the recommendation of the Audit and Corporate Governance Committee, appointing the external auditor and determining its remuneration and terms of appointment.
- Ensuring that effective audit and regulatory compliance programmes are in place to protect the Group's assets and shareholder value.
- Approving and monitoring the Group's audit framework. Approving and, with the assistance and advice of the Audit and Governance Committee, monitoring compliance with the Group's audit policies and protocol.
- Monitoring the Group's operations in relation to, and compliance with relevant regulatory and legal requirements.

(D) Corporate Governance

At least once every two years the Board will, with the assistance and advice of the Audit and Corporate Governance Committee, review the performance and effectiveness of the Company's corporate governance policies and procedures and, if appropriate, amend those policies and procedures as necessary.

The Board will review and approve all disclosures related to any departures from the ASX Principles of Good Corporate Governance.

- The Board will review and approve the public disclosure of any of the Group's policies and procedures.
- The Board will supervise the public disclosure of all matters that the law and ASX Listing Rules require to be publicly disclosed, consistent with the Continuous Disclosure Compliance Policy approved by the Board.
- The Board will approve the appointment of directors to committees established by the Board.
- The Board will approve and monitor delegations of authority.

(E) Risk Management

The Company recognises that the management of business and economic risk is an integral part of its operations and has for many years integrated risk management processes into its operations to ensure continuity of the business and to minimise any impact on its performance. The Board has established a sound system of risk oversight and management and internal control which involve the Safety and Risk Management Committee and the Audit and Corporate Governance Committee.

- Ensuring that effective risk management programmes are in place to protect the Group's assets and shareholder value.
- Approving and monitoring the Group's risk framework, including (but not limited to) systems of risk management and internal control.
- Approving and, with the assistance and advice of the Risk Management Committee, monitoring compliance with the Group's risk.

The Charters of both committees are available on the Company's website.

(F) Strategic Planning

- The Board will be actively and regularly involved in strategic planning.
- Strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing.
- The Board will, on an ongoing basis, review how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.

(G) Performance Evaluation

At least once per year the Board will, with the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, review and evaluate the performance of the Board, each Board Committee, and each individual director against the relevant Charters, corporate governance policies, and agreed goals and objectives (ASX Recommendation 2.5).

- Following each review and evaluation the Board will consider how to improve its performance.
- The Board will agree and set the goals and objectives for the Board and its Committees each year, and if necessary, amend the relevant Charters and policies.

- With the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, the Board will review and approve the remuneration of the Company's executive and non-executive directors.

The evaluation of the Board, its committees and directors was carried out during the FY as set out above.

A Director of the Company is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the Board Charter.

The Board believes that its members have the appropriate skillset and knowledge to effectively perform their roles as directors without requiring further professional development. Our board members have a vast wealth of experience in the aviation industry and beyond as a majority of them have aircraft pilot qualifications.

The Company has a program for inducting new Directors.

Principle 3: Promote Ethical and Responsible Decision Making

Directors and the Management Committee are required to maintain the highest legal, moral and ethical standards of conduct. The Board has adopted the Code of Conduct which provides guidance to all staff on compliance with legal and other obligations (ASX Recommendation 3.1).

The Company has established a Share Trading Policy (ASX Recommendation 1.3). Under this policy, Directors and Management Committee are prohibited from trading in securities of the Company without prior approval from the Board.

The Company employs all staff on their merits and is committed to recognising and valuing the contributions of staff from diverse backgrounds. The Company has established a Diversity Policy (ASX Recommendation 1.5).

The Company does not believe in an affirmative action policy and setting of artificial targets for staff of various backgrounds (gender, religious, cultural, racial etc.) but rather in ensuring that all staff are able to develop to the full extent of their capabilities and contributions.

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Regional Express Holdings Limited lodged its annual public report and was compliant.

As at the end of the reporting period, the proportion of female employees in the Company was 34.6%. There were 19 women holding management positions.

To access a copy of the report, refer to the Rex website under Corporate and Social Responsibilities. Details on the reporting process can be located at the Workplace Gender Equality Website: www.wgea.gov.au.

The Code of Conduct, Share Trading Policy and Diversity Policy are available on the Company's website.

Principle 4: Safeguard Integrity in Financial Reporting

The Audit and Corporate Governance Committee has been established by the Board of the Company (ASX Recommendation 4.1) to assist the Board in fulfilling its commitment to ensure the integrity of the Company's financial reports and Corporate Governance policies:

- assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Group's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct;
- advising the Board on good governance standards and appropriate corporate governance policies for the Group; and
- critically reviewing the Group's performance against its corporate governance policies.

In FY22, this Committee was chaired by the Hon. John Sharp AM and Lincoln Pan. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report. The Committee had two meetings during FY22 attended by all members of the Committee.

The Board acknowledges the ASX Recommendations to have the Committee composed of a majority of independent directors, chaired by an independent director and have at least three members (ASX Recommendation 4.1).

The Committee is currently made up of two non-executive directors. The Board feels that the directors in the audit committee will make decisions that are in the best interests of the shareholders in their duties as audit committee members and directors of the Company. The Board also feels at this stage that two members are sufficient for the audit committee given the size of the Company and Board.

The Audit and Corporate Governance Committee has a formal Charter which is available on the Company's website (ASX Recommendation 4.1).

The Chief Operating Officer and the General Manager (GM) Corporate Services who oversees the finance department, provide written assurance to the Board as to the integrity of the financial statements and that they are founded on a sound system of risk management and internal controls which are operating effectively and efficiently (ASX Recommendation 4.2).

The Board acknowledges the ASX Recommendation to have the Chief Executive Officer and Chief Financial Officer provide this statement to the Board. The Board believes that it is appropriate for Chief Operating Officer and GM Corporate Services to provide the statement.

The directors have ensured that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report thereon (ASX Recommendation 4.3).

Principle 5: Make Timely and Balanced Disclosure

The Company complies with the continuous disclosure obligations of the ASX Listing Rules and, in doing so, immediately notifies the market of any material price sensitive information. The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the Company secretaries for review (ASX Recommendation 5.1, 5.2 and 5.3). The Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the Right of Shareholders

It is the Company's policy that the principal communication with shareholders apart from the Company website is the provision of the Annual Report, including the Financial Statements, half-yearly investor briefings and the Annual General Meeting (and any extraordinary meetings held by the Company). Shareholders are encouraged to participate in half-yearly investor briefings either by attendance or by joining through the Company's videoconferencing facilities and are invited to put questions to the Chairman of the Board in that forum (ASX Recommendation 6.3). The Company's website provides additional information and greater detail about the Company, including ASX and media releases and access to statements regarding corporate governance related matters (ASX Recommendation 6.1).

The Board acknowledges the ASX Recommendation of facilitating effective two-way communication with investors. Shareholders are able to contact the Company through the Company secretaries (ASX Recommendation 6.2).

The Company acknowledges that some security holders prefer the speed, convenience and environmental friendliness of electronic communications over more traditional methods of communication. To this end, the Company provides its security holders with the option of receiving either a hard or soft copy of its annual report and notice of meeting for its Annual General Meeting (ASX Recommendation 6.5).

The Board acknowledges that all substantive resolutions at a meeting of securities holders are decided by the total number of eligible votes. It is noted that the *Corporations Amendment (Meetings and Documents) Bill 2021* (Cth) was passed in February 2022 that specifies that votes on resolutions which are set out in the notice of a meeting of members of a listed company or listed registered scheme must be decided on by poll, hence all resolutions will be conducted via a poll. (ASX Recommendation 6.4).

Principle 7: Recognise and Manage Risk

The Company has integrated risk management processes into its operations to ensure continuity of the business and to minimise any impact on its performance.

The Board has established policies for a sound system of risk oversight and management and internal control which involve the Safety and Risk Management Committee (Recommendation 7.1).

The Safety and Risk Management Committee has been established by the Board of the Company and applies to the Company and its subsidiaries to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by:

- assisting the Board in fulfilling its development, oversight and review responsibilities for the safety culture and safety management processes as defined by the separate safety policies published for each Air Operator's Certificate holder within the Group; and
- implementing and supervising the Group's operational risk assessment framework.

The Board acknowledges the ASX Recommendation to have the Committee composed of a majority of independent directors and chaired by an independent director and have at least three members (ASX Recommendation 7.1).

The Committee is currently made up of one independent director. The Board feels that the directors in the Safety and Risk Management Committee will make decisions that are in the best interests of the shareholders in their duties as Safety and Risk Management Committee members and directors of the Company. The Board also feels at this stage that two members are sufficient for the Safety and Risk Management Committee given the size of the Company and Board.

The Safety and Risk Management Committee and the Audit and Corporate Governance Committee have a formal Charter which sets out the responsibilities of the Committee as well as the Company's policies on risk oversight and management. The Charters is available on the Company's website.

The Board reviews the safety and risk management report prepared by the Group's Safety Manager at each Board meeting (ASX Recommendation 7.2).

Being an airline, Rex is required by the Civil Aviation Safety Authority to have a safety and compliance department. Staffed by approximately 15 full-time equivalent employees, this department conducts internal audits of all Rex's operations including flight operations, engineering and airport operations. The head of this department, the GM Human Factors, has a direct reporting line to the Board and Chairman. The corporate services department is responsible to conduct internal audits, risk oversight and management from the corporate and business risks perspective by applying the same overall risk management framework along with the safety and compliance department. The head of this department, the GM Corporate Services, has a direct reporting line to the Board and Chairman (ASX Recommendation 7.3).

The Company has outlined its main material risk sources that could adversely affect the entity's prospects for future FYs and has explained how these risks are managed in the Directors' Report (ASX Recommendations 7.1 and 7.4).

Principle 8: Remunerate Fairly and Responsibly

The Board has established a Remunerations, Nominations and Disciplinary Committee. The membership, responsibilities and number of meetings held have been set out under Principle 2. Also set out under Principle 2 is the explanation as to why the membership of the Committee differs from the ASX Recommendations (ASX Recommendation 8.1).

Details of the Board and Management Committee remuneration structures are contained in the Remuneration Report (ASX Recommendation 8.2 and 8.3).

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Financial Statements

Consolidated Statement of Profit or Loss

For the Financial Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
Passenger revenue		230,549	125,172
Freight revenue		1,565	1,114
Charter revenue		47,056	30,944
Other passenger services and amenities		348	116
Other revenue	5	7,653	11,380
Revenue from contracts with customers		287,171	168,726
Government grants and subsidies	4	32,071	87,426
Total revenue, government grants and subsidies		**319,242**	**256,152**
Finance income	**5**	**354**	**163**
Other gains / (losses)	**5**	**3,206**	**14,251**
Flight and port operation costs		(78,020)	(47,634)
Fuel costs		(65,373)	(24,762)
De-recognition of fuel hedges		-	(3,474)
Salaries and employee-related costs	5	(149,370)	(108,004)
Selling and marketing costs		(11,940)	(6,340)
Engineering and maintenance costs		(63,005)	(45,948)
General administration costs		(12,926)	(11,697)
Finance costs	5	(7,914)	(2,411)
Depreciation and amortisation	5	(35,319)	(20,783)
Imputed facility fee amortisation	5	(7,994)	(3,329)
Asset impairment reversal / (expense)	5	40,743	(3,401)
Total costs and expenses		**(391,118)**	**(277,783)**
Loss before tax		**(68,316)**	**(7,217)**
Tax benefit	6	22,175	3,358
Loss after tax		**(46,141)**	**(3,859)**
Loss attributable to			
Members of the parent		(46,141)	(3,859)
		(46,141)	(3,859)
Earnings per share		**cents per share**	**cents per share**
Basic loss	17	(41.5)	(3.5)
Diluted loss	17	(41.5)	(3.5)

The accompanying notes form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

For the Financial Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
Loss after tax		**(46,141)**	**(3,859)**
Other comprehensive income			
Revaluation of cash flow hedges	16	21,951	4,809
Revaluation of financial instruments	13	5,695	-
Income tax effect	16	(6,581)	(1,442)
Other comprehensive income, net of tax		**21,065**	**3,367**
Total comprehensive income / (loss) for the year		**(25,076)**	**(492)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and bank balances	23 (A)	42,224	30,112
Receivables	7	25,252	17,391
Inventories	8	9,468	11,590
Income tax receivable	6	11,197	9,114
Other financial assets	24 (J)	15,318	7,994
Total current assets		**103,459**	**76,201**
Non-current assets			
Receivables	7	8,138	9,926
Inventories	8	2,235	8,658
Investments – fair value through equity		9	9
Deferred tax assets	6	21,785	18,535
Other financial assets	24 (J)	19,295	13,279
Property, plant and equipment			
Aircraft	9	165,639	139,650
Other property, plant and equipment	9	113,680	82,512
Right-of-use assets	9	60,438	65,386
Other intangible assets	10	906	791
Total non-current assets		**392,125**	**338,746**
Total assets		**495,584**	**414,947**
Current liabilities			
Payables	11	52,704	26,792
Unearned revenue	12	45,029	30,279
Interest bearing liabilities	13	18,867	10,228
Lease liabilities	13	12,742	8,156
Provisions	14	14,277	12,014
Other financial liabilities	24 (J)	-	627
Total current liabilities		**143,619**	**88,096**
Non-current liabilities			
Interest bearing liabilities	13	125,154	72,733
Lease liabilities	13	60,954	61,609
Provisions	14	2,889	3,022
Other financial liabilities	24 (J)	10,819	15,079
Total non-current liabilities		**199,816**	**152,443**
Total liabilities		**343,435**	**240,539**
Net assets		**152,149**	**174,408**
Equity			
Issued capital	15	73,689	72,024
Reserved shares	15	(57)	188
Retained earnings		52,660	98,801
Share-based payments reserve	16	3,206	1,809
Other reserves	16	22,651	1,586
Total equity		**152,149**	**174,408**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 30 June 2022

	Note	2022 $'000	2021 $'000
Receipts from customers		322,010	201,834
Proceeds from government grants and subsidies		34,910	83,593
Payments to suppliers, employees and others		(369,867)	(254,098)
Interest paid		(4,942)	(1,393)
Income tax received / (paid)		10,420	(10,885)
Net cash flows (used in) / from operating activities, government grants and subsidies	23 (B)	**(7,469)**	**19,051**
Interest received		354	163
Payments for acquisition of business	22	(646)	-
Payments for aircraft under construction		(18,628)	(59,036)
Payments for property, plant and equipment - aircraft and other		(21,823)	(12,954)
Payments for other intangible assets - software		(358)	(768)
Net cash flows used in investing activities		**(41,101)**	**(72,595)**
Shares purchased as reserve shares		-	(446)
Salary sacrifice - payment for shares		-	4
Lease liabilities paid		(12,398)	(1,431)
Proceeds from interest bearing liabilities - non-related parties		83,245	93,346
Repayment of interest bearing liabilities - non-related parties		(10,164)	(19,015)
Net cash flows from financing activities		**60,682**	**72,458**
Net increase in cash held		**12,112**	**18,914**
Cash at the beginning of the year		**30,112**	**11,198**
Cash at the end of the year	23 (A)	**42,224**	**30,112**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2022

	Attributable to equity holders of the Company						
	Issued capital $'000	Reserved shares $'000	Retained earnings $'000	Share-based payments reserve $'000	Revaluation reserve $'000	General reserve $'000	Total equity $'000
At 1 July 2020	**72,024**	**(628)**	**102,660**	**1,383**	**(3,371)**	**1,590**	**173,658**
Loss for the year	-	-	(3,859)	-	-	-	(3,859)
Other comprehensive gain, net of tax	-	-	-	-	3,367	-	3,367
Total comprehensive income / (loss) for the year	-	-	(3,859)	-	3,367	-	(492)
Shares purchased as reserve shares	-	(446)	-	-	-	-	(446)
Share gift issued - gift	-	1,262	-	(1,262)	-	-	-
Share gift issued - salary sacrifice	-	-	-	4	-	-	4
Share gift plan provision	-	-	-	1,502	-	-	1,502
Performance rights provision	-	-	-	182	-	-	182
At 30 June 2021	**72,024**	**188**	**98,801**	**1,809**	**(4)**	**1,590**	**174,408**
At 1 July 2021	**72,024**	**188**	**98,801**	**1,809**	**(4)**	**1,590**	**174,408**
Loss for the year	-	-	(46,141)	-	-	-	(46,141)
Other comprehensive gain, net of tax	-	-	-	-	21,065	-	21,065
Total comprehensive income / (loss) for the year	-	-	(46,141)	-	21,065	-	(25,076)
New shares issued	1,665	-	-	-	-	-	1,665
Transfers from new shares issued	-	(1,665)	-	-	-	-	(1,665)
Share gift issued - gift	-	1,420	-	(1,420)	-	-	-
Share gift plan provision	-	-	-	1,639	-	-	1,639
Performance rights provision	-	-	-	1,178	-	-	1,178
At 30 June 2022	**73,689**	**(57)**	**52,660**	**3,206**	**21,061**	**1,590**	**152,149**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

For the Financial Year Ended 30 June 2022

1 General Information

Regional Express Holdings Limited (the Company) is listed on the Australian Securities Exchange (Trading under symbol 'REX'), incorporated and operating in Australia. The Company's registered office and its principal place of business is at 81 – 83 Baxter Road, Mascot, NSW 2020, Australia. Principal activities of the Group are the provision of air services including the transportation of passengers and freight along with aeromedical services and pilot training.

2 Application of New and Revised Accounting Standards

The Group has adopted all of the new and 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.

Application of New and Revised Accounting Standards Effective for the Current Year

There are no new accounting standards that are required to be implemented in the current year.

Application of New and Revised Accounting Standards but Not Yet Effective

At the date of authorisation of the financial statements, there are no Standards and Interpretations that were issued that have an effect on the Group.

Standard/Interpretation and Nature of the Change and Impact

At the date of report, there are no pronouncements approved by the IASB/IFRIC that have yet to be issued by the AASB.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 31, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Judgement and Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of Assets

Determining whether goodwill and property, plant and equipment and right-of-use assets are impaired requires an estimation of the value-in-use and fair value less cost to sell of the cash-generating units to which these assets relate. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The fair value less cost to sell calculation requires the entity to determine the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Further information relating to these estimates and the impact of COVID-19 on the estimates made is set out in Note 10.

Recoverability of Deferred Taxes

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to enable the Group to utilise those temporary differences and losses. As a result of the impairment of assets in the prior years, the Group has recognised deferred tax assets relating to temporary differences in respect of this impairment. The recoverability of these deferred tax assets is dependent on assumptions relating to future taxable profits over the remaining useful life of the assets which have been impaired. These assumptions are consistent with those used in the value-in-use calculations. Further information relating to these estimates and the impact of COVID-19 on the estimates made is set out in Note 6.

Fair Value of Derivatives and Other Financial Instruments

As described in Note 24, management uses their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

As described in Note 13 and Note 24, the Group issued convertible notes and accompanying rights to warrants which are subject to independent expert valuation.

Useful Lives of Property, Plant and Equipment

As described in Note 31 (S), the Group regularly assesses the estimated useful lives of property, plant and equipment at the end of each reporting period to determine if the useful lives correctly reflect the rate at which the assets are consumed.

Employee Entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries
- future on-cost rates
- experience of employee departures and period of service

4 Impact of COVID-19

COVID continued to cause disruption to business and economic activity during the reporting period. This coupled with continued uncertainty even after border closures were lifted saw REX regular public transport (RPT) operations severely impacted. Grants from the Federal and State Governments continued to allow REX to operate albeit at a lower frequency to pre-COVID-19 periods.

In Q1 of FY2022 the increased number of COVID cases due to Delta and later Omicron variants resulted in a number of State border closures. The Group had to suspend B737 operations between capital cities for 4 months. During this period staff were stood down but none were made redundant.

Government funding also tapered to a minimum in the last quarter of FY2022. Government grants and subsidies recognised in the statement of profit and loss are presented below:

Funding	2022 $'000	2021 $'000
Regional Airline Network Support Program (RANS)	21,521	42,888
Retaining Domestic Airline Capability Program (RDAC)	6,414	-
Tourism Aviation Network Support (TANS)	2,811	2,494
South Australian Government Financing Authority	483	688
Domestic Aviation Network Support (DANS)	285	536
NSW JobSeeker	264	-
Visit Canberra Program	213	63
NSW JobMaker	65	5
NSW Financial Support	15	-
JobKeeper	-	21,504
Regional Airline Funding Assistance (RAFA)	-	16,058
Australian Airline Financial Relief Package (AAFRP)	-	2,333
Western Australian (WA) State Government	-	857
Total	**32,071**	**87,426**

As borders reopened and restrictions eased, the Group restarted B737 operations as well as increased capacity on regional Saab operations. By Q4 of FY2022 the Group's regional operations were at 90% of pre-COVID levels. The Group saw demand for domestic travel increased in the last month of the FY2022. Improved demand for regional and domestic destinations continued into the 1Q of FY2023 as noted at the date of this report.

Impact on the valuation of assets

The sharp increase in demand for RPT services to date has resulted in a significant increase in revenue forecasts from the Group's REX cash-generating unit (CGU). The Group recorded its highest RPT revenue since inception in the month of July 2022. The Board is confident these revenues will continue to grow as the Group takes delivery of its 7th B737 in Q1 of FY2023.

Management have prepared a value-in-use (VIU) model to measure the recoverable amount of the REX CGU and the Domestic CGU and a fair value less cost of disposal (FVLCD) for the Training CGU and Pel-Air CGU. In FY2021 the Group recognised an impairment of $3,401 thousand on property, plant and equipment based on the FVLCD assessment for the Training CGU. In FY2020 the Group recognised an impairment for the Rex CGU relating to goodwill, property, plant and equipment, right-of-use assets, other intangible assets and consumable inventories totalling $62,084 thousand.

The Group reversed the impairment associated with aircraft, plant and equipment of the Rex CGU in FY2022 given the strong revenue growth forecast.

Borrowing facilities

The bank facility relating to NSW Air Ambulance contract and Victoria Air Ambulance contract contains review event clauses, whereby a review event is triggered when the Group's EBITDA falls below 50% of the previous year. The Group has received a waiver from the financier in relation to the review event due to the reduction in EBITDA from the previous year.

In January 2021, the Group issued convertible notes (refer to Notes 13, 24) to PAGAC Regulus Holding Pte Ltd for a maximum draw down amount of $150 million for an initial term of 5 years from the first draw date. The first draw down date was 15 March 2021 wherein the Group drew down $50 million. During the year, the Group drew down additional amounts totalling $25 million. Further information on the drawdowns is contained in Notes 13 and 24. The convertible notes and accompanying rights to warrants are measured at fair value through profit or loss as set out in Note 31. Market inputs such as share price volatility and prevailing market conditions may cause fluctuations in the fair value of these instruments between measurement dates.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business. In preparing the consolidated financial statements, the directors note that the Group is in a net current asset deficiency position of $40,160 thousand (FY2021: $11,895 thousand net deficit). The Group has reported a loss after tax of $46,141 thousand for the year (FY2021: $3,859 thousand loss after tax), and net cash outflows for operating activities of $7,469 thousand (FY2021: $19,051 thousand net cash inflows from operating activities).

Despite the continued negative impacts of COVID-19, REX observed recovery in regional passenger numbers in the fourth quarter of the reporting period. REX will continue to receive Government grants in FY2023, albeit at reduced levels compared to FY2022.

REX entered into an agreement with PAGAC Regulus Holding Pte Ltd ("PAG") which allowed it access to $150 million in funding through the issue of convertible notes. The Group drew down on $50 million in FY2021, $25 million in FY2022, and still had access to $75 million at the end of the reporting period.

REX received covenant waivers for funding facilities provided by the financier in relation to Victoria and New South Wales Air Ambulance contracts at 30 June 2022.

Management have prepared financial forecasts which are consistent with those used in the valuation models for the REX, Domestic and Pel-Air CGUs. Based on these forecasts, the Directors are confident that the Group will have sufficient cash to meet its obligations and continue as a going concern until 30 September 2023.

5 Revenues and Expenses

	2022 $'000	2021 $'000
Other revenue		
Training income	3,366	10,071
Rental income (equipment)	2,110	-
Rental income (premises)	340	269
Insurance claim	844	450
Training subsidy	207	47
Engineering services	260	-
Sales of engineering parts	71	127
Other income	455	416
	7,653	**11,380**
Finance income		
Interest	354	163
	354	**163**
Other gains / (losses)		
Fair value gain on convertible notes, warrants	10,587	14,493
Unrealised foreign currency loss	(5,815)	(577)
Realised foreign currency gain / (loss)	(1,548)	241
Gain / (loss) on disposal of property, plant and equipment	(18)	94
	3,206	**14,251**
Salaries and employee-related costs		
Wages and salaries	(135,071)	(98,493)
Superannuation costs - defined contribution plan	(10,537)	(7,271)
Expense of share-based payments	(2,817)	(1,684)
Workers' compensation costs	(945)	(556)
	(149,370)	**(108,004)**
General administrative costs		
Bad debts written-off	(11)	(114)
	(11)	**(114)**
Finance costs		
Interest on bank borrowings	(4,942)	(1,393)
Interest on AASB16 leases	(2,972)	(1,018)
	(7,914)	**(2,411)**
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment	(23,331)	(16,544)
Depreciation of right-of-use assets	(11,744)	(4,127)
Amortisation of software	(244)	(112)
	(35,319)	(20,783)
Amortisation of imputed facility fee	(7,994)	(3,329)
	(43,313)	**(24,112)**
Impairment		
Asset impairment reversal / (expense)		
Property, plant and equipment – aircraft	18,996	(3,401)
Property, plant and equipment – other	21,460	-
Right-of-use assets	286	-
	40,743	**(3,401)**

6 Income Tax

Income Tax Recognised in Consolidated Statement of Profit or Loss

	2022 $'000	2021 $'000
Current year tax loss carried forward	(23,534)	-
Current year tax loss carried back	(11,197)	(5,595)
Prior year under provision	(1,104)	(241)
Deferred tax expense from temporary differences	13,660	2,478
Total tax benefit	**(22,175)**	**(3,358)**
Pre-tax accounting loss from operations reconciles to tax benefit in the financial statements as follows:		
Pre-tax accounting loss	(68,316)	(7,217)
Tax at the applicable rate of 30%	(20,495)	(2,165)
Tax effect of (non-assessable) / non-deductible items		
Fair value gain on warrant and convertible notes	(3,176)	(2,003)
Facility fee amortisation	2,398	999
Others	202	52
Prior year under provision	(1,104)	(241)
Tax benefit	**(22,175)**	**(3,358)**
Effective tax rates	32.5%	46.5%

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. There are no unrecognised carried forward losses.

Current and Deferred Tax Recognised in Consolidated Statement of Financial Position

	2022 $'000	2021 $'000
Tax instalments paid	-	3,519
Current year tax loss carry-back	11,197	5,595
Income tax receivable	**11,197**	**9,114**
Deferred tax assets	34,751	21,781
Deferred tax liabilities	(12,966)	(3,246)
Net deferred tax assets	**21,785**	**18,535**

Current year tax loss carry-back of $11,197 thousand (FY2021: $5,595 thousand) relates to the temporary loss carry-back measure passed by Government on 9 October 2020 to provide businesses with some tax relief. The measure allows eligible corporate tax entities to choose to carry back income tax losses (but not capital losses) to prior years. The rules apply to corporate tax entities that have:

- aggregated turnover of less than $5 billion in the relevant loss year
- incurred a tax loss in any of the 2019-20, 2020-21 or 2021-22 years (referred to as loss years) and
- an "income tax liability" for any of the 2018-19, 2019-20 or 2020-21 years (referred to as tax liability years)

If the criteria are met, a refundable tax offset will be available in either the 2020-21 or 2021-22 years.

Net deferred tax assets of $21,785 thousand (FY2021: $18,535 thousand) relating to temporary differences have been recognised to the extent that the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences. In assessing whether the deferred tax assets are recoverable, the directors note that the estimates and assumptions relating to future taxable profits are consistent with the assumptions used in the estimation of future cash flows in the value-in-use valuation model for the Group's cash-generating units. The directors expect that the Group will generate sufficient taxable profits to utilise the deferred tax assets in the next 6-7 years, however actual utilisation will be dependent on the timing of tax deductions.

Taxable and deductible temporary difference and tax losses arise from the following:

	Opening balance $'000	(Charged) / credited to Profit or Loss $'000	(Under) / over provision $'000	Charged to equity $'000	Other movements $'000	Closing balance $'000
30 June 2022						
Deferred tax assets						
Tax loss carried forward	-	-	-	-	23,535	23,535
Provisions - employee benefits, other	5,152	988	-	-	120	6,260
Right-of-use assets / lease liabilities (net effect)	1,315	2,662	-	-	-	3,977
Payables	376	67	-	-	-	443
Amortisation of capital raising costs	245	(55)	-	-	-	190
Other items	346	-	-	-	-	346
	7,434	3,662	-	-	23,655	34,751
Deferred tax liabilities						
Other liabilities	2	-	-	(6,588)	-	(6,586)
Property, plant & equipment	14,336	(17,743)	(2,548)	-	366	(5,589)
Inventories	(879)	403	(320)	-	-	(796)
Prepayments	(22)	18	-	-	-	(4)
Receivables	9	-	-	-	-	9
Fair value on convertible notes, warrants	(2,345)	-	2,345	-	-	-
	11,101	(17,322)	(523)	(6,588)	366	(12,966)
Net deferred tax	**18,535**	**(13,660)**	**(523)**	**(6,588)**	**24,021**	**21,785**
30 June 2021						
Deferred tax assets						
Property, plant & equipment	16,427	(2,063)	(28)	-	-	14,336
Provisions - employee benefits, other	3,816	1,336	-	-	-	5,152
Right-of-use assets / lease liabilities (net effect)	353	952	-	-	10	1,315
Payables	686	(310)	-	-	-	376
Amortisation of capital raising costs	-	245	-	-	-	245
Other liabilities	1,553	-	-	(1,551)	-	2
Other items	440	(85)	-	-	-	355
	23,275	75	(28)	(1,551)	10	21,781
Deferred tax liabilities						
Fair value on convertible notes, warrants	-	(2,345)	-	-	-	(2,345)
Inventories	(267)	(654)	42	-	-	(879)
Prepayments	(144)	122	-	-	-	(22)
Receivables	(327)	327	-	-	-	-
	(738)	**(2,550)**	**42**	**-**	**-**	**(3,246)**
Net deferred tax	**22,537**	**(2,475)**	**14**	**(1,551)**	**10**	**18,535**

7 Trade and Other Receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	14,491	5,131
Loss allowance	(31)	(31)
	14,460	5,100
Term deposits	1,926	2,051
Sundry debtors and receivables	4,198	5,144
Prepayments	4,669	5,096
	25,252	**17,391**
Non-current		
Deposits	4,118	4,022
Sundry receivables	4,020	5,904
	8,138	**9,926**

Trade receivables are non-interest bearing and are generally on 30 day terms. The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Before accepting new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. Majority of the Group's revenue is derived from sales made through credit cards where counterparties are either banks or credit card companies.

The current term deposits are interest-bearing deposits held under the Group's worker's compensation obligations. The amounts are restricted under these obligations.

The non-current deposits are in relation to aircraft and property leases.

	2022 $'000	2021 $'000
Ageing of past due but not impaired		
60 - 90 days	-	-
91 - 120 days or more	251	238
Total	**251**	**238**
Average age (days)	30	30
Movement in loss allowance		
Balance at the beginning of the year	(31)	(31)
Movement during the year	-	-
Balance at the end of the year	**(31)**	**(31)**
Ageing of impaired trade receivables		
120+ days	(31)	(31)
Total	**(31)**	**(31)**

8 Inventories

	2022 $'000	2021 $'000
Consumable spares		
Current	9,468	11,590
Non-current	2,235	8,658

9 Property, Plant and Equipment

	Opening gross carrying amount $'000	Additions $'000	Transfers from business acquired $'000	Disposals / Reclassification $'000	Closing gross carrying amount $'000
At 30 June 2022					
Aircraft	199,730	1,515	-	79,172	280,417
Aircraft under construction	80,544	18,628	-	(78,941)	20,231
Total aircraft	280,274	20,143	-	231	300,648
Other property, plant and equipment					
Rotable assets	75,929	6,925	-	(1,061)	81,793
Engines	15,213	7,612	-	-	22,825
Plant and equipment	14,809	1,198	95	32	16,134
Land and buildings	50,345	3,296	-	-	53,641
Leasehold improvements	2,062	167	29	(1,333)	925
Motor vehicles	3,017	164	-	(70)	3,111
Furniture and fittings	985	327	-	(7)	1,305
Computer equipment	3,713	619	-	(64)	4,268
Other property, plant and equipment	166,073	20,308	124	(2,503)	184,002
Total property, plant and equipment	**446,347**	**40,451**	**124**	**(2,272)**	**484,650**
Right-of-use assets					
Aircraft leases	66,659	-	-	(958)	65,701
Other leases	3,436	7,691	284	(55)	11,356
Total right-of-use assets	**70,095**	**7,691**	**284**	**(1,013)**	**77,057**
At 30 June 2021					
Aircraft	197,145	671	-	1,914	199,730
Aircraft under construction	21,845	59,036	-	(337)	80,544
Total aircraft	218,990	59,707	-	1,577	280,274
Other property, plant and equipment					
Rotable assets	78,462	-	-	(2,533)	75,929
Engines	14,295	918	-	-	15,213
Plant and equipment	11,665	3,402	-	(258)	14,809
Land and buildings	44,368	5,977	-	-	50,345
Leasehold improvements	1,424	616	-	22	2,062
Motor vehicles	2,696	237	-	84	3,017
Furniture and fittings	802	499	-	(316)	985
Computer equipment	3,260	634	-	(181)	3,713
Other property, plant and equipment	156,972	12,283	-	(3,182)	166,073
Total property, plant and equipment	**375,962**	**71,990**	**-**	**(1,605)**	**446,347**
Right-of-use assets					
Aircraft leases	-	66,659	-	-	66,659
Other leases	2,031	1,571	-	(166)	3,436
Total right-of-use assets	**2,031**	**68,230**	**-**	**(166)**	**70,095**

	Opening accumulated depreciation and impairment $'000	Disposals / Reclassification $'000	Transfers from business acquired $'000	Depreciation charge for the year $'000	Impairment reversal / (expense) $'000	Closing accumulated depreciation and impairment $'000
At 30 June 2022						
Aircraft	(140,624)	-	-	(13,381)	18,996	(135,009)
Total aircraft	(140,624)	-	-	(13,381)	18,996	(135,009)
Other property, plant and equipment						
Rotable assets	(47,562)	96	-	(5,088)	16,782	(35,772)
Engines	(9,171)	-	-	(1,350)	2,850	(7,671)
Plant and equipment	(9,569)	(1)	(64)	(756)	1,286	(9,104)
Land and buildings	(9,995)	-	-	(1,349)	-	(11,344)
Leasehold improvements	(1,706)	1,305	(28)	(424)	-	(853)
Motor vehicles	(2,485)	64	-	(94)	165	(2,350)
Furniture and fittings	(447)	7	-	(121)	60	(501)
Computer equipment	(2,626)	64	-	(482)	317	(2,727)
Other property, plant and equipment	(83,561)	1,535	(92)	(9,664)	21,460	(70,322)
Total property, plant and equipment	**(224,185)**	**1,535**	**(92)**	**(23,045)**	**40,456**	**(205,331)**
Right-of-use assets						
Aircraft leases	(3,904)	-	-	(10,195)	-	(14,099)
Other leases	(805)	55	(221)	(1,835)	286	(2,520)
Total right-of-use assets	**(4,709)**	**55**	**(221)**	**(12,030)**	**286**	**(16,619)**
At 30 June 2021						
Aircraft	(126,718)	(1,915)	-	(8,590)	(3,401)	(140,624)
Total aircraft	(126,718)	(1,915)	-	(8,590)	(3,401)	(140,624)
Other property, plant and equipment						
Rotable assets	(44,447)	617	-	(3,732)	-	(47,562)
Engines	(8,044)	-	-	(1,127)	-	(9,171)
Plant and equipment	(9,020)	225	-	(774)	-	(9,569)
Land and buildings	(8,827)	-	-	(1,168)	-	(9,995)
Leasehold improvements	(1,348)	(38)	-	(320)	-	(1,706)
Motor vehicles	(2,245)	(83)	-	(157)	-	(2,485)
Furniture and fittings	(687)	318	-	(78)	-	(447)
Computer equipment	(2,209)	181	-	(598)	-	(2,626)
Other property, plant and equipment	(76,827)	1,220	-	(7,954)	-	(83,561)
Total property, plant and equipment	**(203,545)**	**(695)**	**-**	**(16,544)**	**(3,401)**	**(224,185)**
Right-of-use assets						
Aircraft leases	-	-	-	(3,904)	-	(3,904)
Other leases	(748)	166	-	(223)	-	(805)
Total right-of-use assets	**(748)**	**166**	**-**	**(4,127)**	**-**	**(4,709)**

	Opening net carrying amount $'000	Closing net carrying amount $'000
At 30 June 2022		
Aircraft	59,106	145,408
Aircraft under construction	80,544	20,231
Total aircraft	139,650	165,639
Other property, plant and equipment		
Rotable assets	28,367	46,021
Engines	6,042	15,154
Plant and equipment	5,240	7,030
Land and buildings	40,350	42,297
Leasehold improvements	356	72
Motor vehicles	532	761
Furniture and fittings	538	804
Computer equipment	1,087	1,541
Other property, plant and equipment	82,512	113,680
Total property, plant and equipment	**222,162**	**279,319**
Right-of-use assets		
Aircraft leases	62,755	51,602
Other leases	2,631	8,836
Total right-of-use assets	**65,386**	**60,438**
At 30 June 2021		
Aircraft	70,427	59,106
Aircraft under construction	21,845	80,544
Total aircraft	92,272	**139,650**
Other property, plant and equipment		
Rotable assets	34,015	28,367
Engines	6,251	6,042
Plant and equipment	2,645	5,240
Land and buildings	35,541	40,350
Leasehold improvements	76	356
Motor vehicles	451	532
Furniture and fittings	115	538
Computer equipment	1,051	1,087
Other property, plant and equipment	80,145	82,512
Total property, plant and equipment	**172,417**	**222,162**
Right-of-use assets		
Aircraft leases	-	62,755
Other leases	1,283	2,631
Total right-of-use assets	**1,283**	**65,386**

10 Other Intangible Assets

	2022 $'000	2021 $'000
Opening gross carrying amount	2,307	1,539
Additions	358	768
Disposals, reclassifications	(266)	-
Closing gross carrying amount	2,399	2,307
Accumulated depreciation and impairment		
Opening balance	(1,516)	(1,404)
Amortisation	(244)	(112)
Disposals, reclassifications	266	-
Closing balance	(1,493)	(1,516)
Closing net carrying amount	**906**	**791**

Impairment of Assets

The Group's Cash Generating Units (CGUs) for assessing the carrying value of the Group's assets are as follows:

- Regional Express Holdings Limited (Rex)
- Pel-Air Aviation Pty Limited (Pel-Air)
- Australian Airline Pilot Academy Pty Ltd and AAPA Victoria Pty Ltd (Training)
- Rex Airlines Pty Ltd (Domestic)

(A) Rex CGU

The recoverable amount of the Rex CGU has been determined based on a value-in-use valuation model.

COVID-19 pandemic restrictions imposed by Australia and other countries since March 2020 continued to adversely impact the Rex CGU during the first half of the year, and to a lesser extent in the second half of the year as passenger numbers returned toward pre-COVID levels. The value-in-use calculation of the Rex CGU uses cash flow projections which are based on Available Seat Kilometres (ASKs) and passenger numbers exceeding FY2019 levels by FY2023.

Key assumptions used in the valuation model are noted below:

Network changes and COVID-19 recovery period (FY2023 – FY2027)

Recovery passengers numbers	These forecasts are based on the run rate of passenger numbers in late FY2022, and reviewed against July & August 2022, it is forecasted to increase until FY2027, after which passenger growth is forecast to remain flat. The passenger growth forecasts consider the recoveries by state where there are changes in regional network routes serviced and differences in recovery rates.
Passenger fares	7.7% total real price growth over the next 18 months.
Passenger numbers	1.3 million in FY2023 increasing to 1.5 million by FY2027.
ASK	810 million in FY2023 and 812 million p.a. thereafter.
Fixed & variable costs	Costs which vary with activity are allocated on a per-ASK basis. Fixed costs are forecast based on Q4 FY2022 actuals adjusted to reflect regional network route changes.
Fuel costs	Fuel costs are based on the prevailing fuel swap rates, after which they are projected using the long term brent crude curve.
Capital expenditure	Capital expenditure during the recovery period is based on per-ASK maintenance capex.

Subsequent to FY2027

Revenue growth	2.50%
Passenger numbers	1.5 million
ASK	812 million p.a.
Fuel cost escalation	Based on forward brent crude curve
Operating cost escalation	2.50%
Fleet life	15.0 years

Cash flows in the valuation model are projected for 15.0 years. Rex operates the RPT network with a fleet of 60 SAAB 340B aircraft, 57 of which are utilised within the REX CGU. Whilst these aircraft are no longer manufactured by SAAB (the OEM) they remain common in regional airline fleets around the world and the directors do not expect OEM support for the aircraft to be withdrawn for at least the next 15-20 years.

As a result of the COVID-19 pandemic, in FY2020 the directors revised expectations for the life of the SAAB 340B fleet and considered that the expected useful life of the SAAB 340B fleet was approximately 15-20 years. The value-in-use model has included cash flows of 15.0 years, at the lower end of the expected remaining economic life of the fleet.

No terminal value has been included in the value-in-use valuation model.

Revenue and cost growth have been projected based on growth expectations of the existing network and assume no changes to the size and scale of operations after the recovery period. Capital expenditure is based on maintenance capex over the forecast period excluding any expansionary capital expenditure.

Cash flows are discounted by a post-tax discount rate of 12.00% (FY2021: 11.00%).

Based on the results of the value-in-use model, the recoverable amount of the assets of the CGU exceeded their carrying value by $66,556 thousand (FY2021: $1,619 thousand). When comparing the recoverable amount and carrying value of the Rex CGU, it was deemed appropriate to reverse $37,342 thousand of the $62,084 thousand asset impairment recognised in FY2020. This represents the maximum reversal of impaired CGU assets (excluding the consumables inventory, goodwill and other intangibles amounts of $9,125 thousand) after deducting accumulated depreciation and disposals since the original impairment (June 2020). Following reversal of the asset impairment the recoverable amount of the assets of the CGU exceeded their carrying value by $29,214 thousand.

Sensitivity Analysis

The value-in-use calculation is sensitive to reasonable changes in key assumptions which would, in isolation, lead to an increase or decrease in the recoverable amount and a resulting change to impairment recognised. Changes in one assumption could be accompanied by a change in another assumption, which may increase or decrease the recoverable amount of the CGU.

		Rex recoverable amount	
	Increase/ Decrease by	Increase $'000	Decrease $'000
Post tax discount rate %	1.0%	(9,170)	9,992
Revenue	1.0%	15,307	(15,370)
Operating cost	1.0%	(6,726)	6,726
Fuel cost	5.0%	(11,062)	11,035
Fleet life	2.5 years	n/a	(13,997)

(B) Training CGU

During December 2020, a separate CGU consisting of two training academies, Australian Airline Pilot Academy Pty Ltd (primarily training Rex cadets to support the airline's pilot requirements) and AAPA Victoria Pty Ltd (training pilots from other airlines), was formed. The recoverable value of the newly established Training CGU, calculated using fair value of assets less cost of disposal (FVLCD), was lower than the carrying value and as such, an impairment of $3,401 thousand was applied. The impaired assets included in the Training CGU are considered Level 1 of the fair value hierarchy.

As at 31 December 2021 the FVLCD of the Training CGU was re-assessed, and when compared to the carrying value of the Training CGU, it was deemed that the impairment as at 31 December 2020 of $3,401 thousand should be reversed. The fair value was determined using the aircraft blue book value guide.

The recoverable value of the Training CGU at 30 June 2022 was calculated using FVLCD. This value was higher than the Training CGU carrying value and as such no impairments were deemed necessary as at 30 June 2022. The fair value was determined using the aircraft blue book value guide.

(C) Domestic CGU

The recoverable amount of the Domestic CGU has been determined based on a value-in-use valuation model.

The value-in-use calculation of the Domestic CGU uses cash flow projections based on financial budgets approved by the Board covering a 4.5-year forecast period. The cash flows are based on management's expectations regarding the market, fleet plans including the leasing of aircraft and operating costs. The discount rate applied reflects the weighted average cost of capital based on the risk-free rate for ten-year Australia government bonds adjusted for a risk premium to reflect the risk of the CGU.

Key Assumptions

The following key assumptions were used in determining the value-in-use valuation model for the Domestic CGU:

Discount rate	11.75% (FY2021: 10.75%)
Average fares	$154 (incl. head tax)
Load factor	72.5% - 77.5%
ASK	2,000 million p.a.
Fuel cost	Based on prevailing fuel swap rates, after which they are projected using the long term brent crude curve
Other operating costs	Costs which vary with activity are allocated based on ASKs, passenger numbers, flight time or number of aircraft.
Operating cost escalation	2.5% to 5.0%

Reasonable changes in these assumptions are not expected to result in an impairment of the Domestic CGU. There was no impairment for the Domestic CGU as at 30 June 2022.

(D) Pel-Air CGU

The recoverable value for the Pel-Air CGU was calculated using a fair value less cost of disposal model (FVLCD). This value was higher than the Pel-Air carrying value and as such no impairments were deemed necessary as at 30 June 2022. The fair value was determined using the aircraft blue book value guide, except for newly acquired or constructed assets that have just commenced operations.

11 Payables

	2022 $'000	2021 $'000
Current		
Trade payables	36,978	14,524
Other payables	15,726	12,268
Total	**52,704**	**26,792**

Trade payables are non-interest bearing and are normally settled on 7 to 30-day terms. Other payables are non-interest bearing and have an average term of 7 to 30 days.

12 Unearned Revenue

	2022 $'000	2021 $'000
Current		
Unearned passenger and charter revenue	42,822	29,474
Unearned training revenue	2,207	805
Total	**45,029**	**30,279**

13 Interest Bearing Liabilities

	Effective interest rate %	2022 $'000	2021 $'000
Current			
Loan facility (i)	3.40%	9,368	3,809
Advance (ii)	0.15%	9,499	6,419
Interest bearing liabilities		**18,867**	**10,228**
Lease liabilities (iv)		**12,742**	**8,156**
		31,609	**18,384**
Non-current			
Loan facility (i)	3.40%	67,765	22,249
Advance (ii)	0.15%	-	6,073
Convertible notes (iii)	4.00%	57,389	44,411
Interest bearing liabilities		**125,154**	**72,733**
Lease liabilities (iv)		**60,954**	**61,609**
		186,108	**134,342**
Total debts		**217,717**	**152,726**

Debt Facilities

The Group's debt facilities include the following:

	2022		2021	
	Used $'000	Limit $'000	Used $'000	Limit $'000
NSW Air Ambulance	69,924	112,000	26,058	77,775
Victoria Air Ambulance	7,209	63,400	-	-
Senior Secured Convertible Notes	75,000	150,000	50,000	150,000

(i) Loan facility as at 30 June 2022 relates to the acquisition of a number of aircraft which will be utilised for the NSW Air Ambulance and Victoria Air Ambulance operations. As the aircraft are constructed and delivered, this facility will be drawn down with total drawings of $112,000 thousand for NSW Air Ambulance operations and $63,400 thousand for Victoria Air Ambulance operations. The facility is secured by the aircraft and a guarantee by the Group.

Under the terms of the facility agreement for the NSW Air Ambulance operations, the facility is increased by $34,225 thousand for additional aircraft that would commence operations in FY2024, and the construction loan would be converted into an amortising facility which is repayable over the 10-year period of the NSW Air Ambulance contract.

Under the terms of the facility agreement for the Victoria Air Ambulance operations, when the additional aircraft commence operations in January 2024, the construction loan will be converted into an amortising facility which is repayable over the 12-year period of the Victoria Air Ambulance contract.

(ii) The advance is a short-term emergency cash flow advance provided by NSW Air Ambulance to assist the Group in meeting the capital expenditure of number of aircraft assets for the NSW medical evacuation contract. The advance is repayable in December 2022.

(iii) On 29 January 2021, the Group entered into an agreement with PAGAC Regulus Holding Pte Ltd ("PAG") to issue up to $150 million first-ranking senior secured convertible notes to be used to support the launch of the Group's domestic major city jet operations. In addition to the notes, the Group has agreed to issue rights to warrants to PAG on the notes for an amount equal to the undrawn balance (refer to Note 24) three years from the first draw date of 15 March 2021.

In March 2021, PAG injected the initial tranche of $50 million. The convertible notes expire after five years (the Initial Term) and are subject to the below terms:

- The first draw date is 15 March 2021, with the final draw date being three years from this date.
- The drawdown history of the convertible notes is set out below:

	Opening Balance $'000	Drawdown amount $'000	Undrawn balance $'000
15 March 2021	150,000	50,000	100,000
30 June 2021			**100,000**
26 July 2021	100,000	9,000	91,000
26 August 2021	91,000	8,000	83,000
24 September 2021	83,000	8,000	75,000
30 June 2022			**75,000**

- The loan entitles holders to 4% interest p.a. (payable quarterly in arrears) which can be capitalised against the convertible notes.
- The conversion price is $1.50 per share (subject to anti-dilution adjustments).
- Each share is a fully paid ordinary share in Rex.
- Either PAG or Rex may elect to extend the convertible notes by one year by giving notice at least 20 business days prior to the end of the Initial Term. The following applies in relation to the payment of interest:
  - o If PAG extends, no interest is payable by Rex for the extended term.
  - o If Rex extends, interest will continue to be payable at the existing rate (4% p.a.).
- If the Group has not utilised the entire commitment by the final draw date (three years from the first draw date), it shall issue warrants to PAG on the final draw date in an amount equal to the undrawn balance of the commitment.

The Group has classified the convertible notes entirely as a financial liability and designated the whole instrument as fair value through profit or loss. These convertible notes have been fair valued by independent valuation experts using a binomial model which forecasts Rex's share price movements to expiry date. Movement of the fair values at the beginning and end of the current financial year is set out below:

	2022 $'000	2021 $'000
Opening balance	44,411	-
Proceeds from issue of convertible notes	25,000	50,000
Fair value changes through profit or loss	(6,327)	(5,589)
Fair value changes through other comprehensive income	(5,695)	-
Closing balance	**57,389**	**44,411**

A fair value gain of $12,022 thousand has been recognized during the reporting period for the convertible notes, which is comprised of

- fair value changes through profit or loss of $6,327 thousand due to a decrease in the share price of the Group, and
- fair value changes through other comprehensive income of $5,695 due to changes in the Group's credit.

(iv) The lease liabilities relate to a number of lease for aircraft, properties and delivery trucks used for operations, and are recorded in accordance with AASB 16 Leases.

Other facilities

These other facilities are secured by the Group's assets.

	2022		2021	
	Used $'000	Limit $'000	Used $'000	Limit $'000
Exposure Mitigation - Cash	-	400	-	27,319
Multi-option credit line	-	2,486	-	-
Guarantee	-	-	5,218	5,268
Guarantee performance	8,450	8,450	1,531	1,531
Guarantee accommodation	558	827	87	200
Credit card	66	715	315	615
	9,074	**12,878**	**7,151**	**34,933**

14 Provisions

	2022 $'000	2021 $'000
Current		
Employee benefits		
Employees retention schemes	628	1,253
Annual leave and long service leave	13,649	10,761
	14,277	**12,014**
Non-current		
Employee benefits		
Employees retention schemes	1,174	1,344
Long service leave	1,715	1,678
	2,889	**3,022**
Total employee benefits provisions	**17,166**	**15,036**
Employees retention schemes		
Opening balance	2,597	2,219
Arising during the year	1,877	820
Utilised	(2,672)	(442)
Closing balance	**1,802**	**2,597**
Annual leave and long service leave		
Opening balance	12,439	8,847
Arising during the year	11,464	10,731
Utilised	(8,539)	(7,139)
Closing balance	**15,364**	**12,439**

15 Issued Capital and Reserved Shares

	2022		2021	
	No. '000	$'000	No.'000	$'000
Fully paid ordinary shares				
Opening balance	110,155	72,024	110,155	72,024
New shares issued	1,022	1,665	-	-
Closing balance	111,177	**73,689**	110,155	**72,024**
Reserved shares		**(57)**		**188**
Reserved shares				
Opening balance		188		(628)
Transfers from new shares issued		(1,665)		-
Shares purchased as reserved shares		-		(446)
Share gift issued		1,420		1,262
Closing balance		**(57)**		**188**

Reserved shares account represents shares owned by the Group, which are eventually granted to employees under the Employee Share Gift Scheme.

16 Share-based Payments Reserve and Other Reserves

	2022 $'000	2021 $'000
Share-based payments reserve		
Opening balance	1,809	1,383
Share gift issued	(1,420)	(1,262)
Share gift issued - salary sacrifice	-	4
Share gift plan provision	1,639	1,502
Performance rights provision	1,178	182
Closing balance	**3,206**	**1,809**
Revaluation reserve		
Opening balance	(4)	(3,371)
Revaluation of cash flow hedges, net of tax	15,370	3,367
Revaluation of financial instruments	5,695	-
Closing balance	**21,061**	**(4)**
General reserve		
Opening balance	1,590	1,590
Movement during the year	-	-
Closing balance	**1,590**	**1,590**
Total other reserves	**25,857**	**3,395**

Share-based payments reserve arises on the grant of shares to executives and employees under the employee share gift plan. Amounts are transferred out of the reserve and into issued capital when the shares are issued. Rex has established the share gift plan for its executive directors and eligible employees since FY2006.

The board decided that this plan will be offered to EA groups that opt for the plan, and all non-EA employees who are not the subject of an adverse recommendation by the Remunerations, Nominations and Disciplinary Committee. This plan is not based on any performance measures as it was established to show its recognition of employees' contribution to the Group by providing an opportunity to share in its future growth and profitability and to align the interests of the employees more closely with the interests of the shareholders.

Eligible employees who accept an offer of shares under the share plan will be entitled to receive the equivalent of 2% of their base salary in shares each financial year. Such shares will be issued to eligible employees on the relevant award dates. Non eligible employees are given the opportunity to salary sacrifice amounts to acquire Rex shares, with allocation of shares equal to 2% of their base salary.

Performance rights provision relates to equity settled performance rights that entitle key managerial personnel (KMP) to receive shares in the Company if the defined performance conditions are achieved under the Management Incentive Scheme outlined in Note 25.

Revaluation reserve represents fair value of cash flow hedges and financial instruments recognised through other comprehensive income. The cumulative deferred gain or loss on the cash flow hedge is recognised in profit or loss when the hedged transaction impacts profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

General reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

17 Earnings Per Share

	2022 Cents per share	2021 Cents per share
Basic loss per share	(41.5)	(3.5)
Diluted loss per share	(41.5)	(3.5)

Earnings used in the calculation of basic and diluted earnings per share are as follows:

	2022 $'000	2021 $'000
Loss after tax	(46,141)	(3,859)
Loss after tax for the calculation of basic earnings per share	(46,141)	(3,859)
Loss after tax for the calculation of diluted earnings per share	(46,141)	(3,859)

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2022 $'000	2021 $'000
For the purpose of calculating basic earnings per share	111,176	110,002
For the purpose of calculating diluted earnings per share	111,176	110,002

18 Dividends

The directors have recommended no dividends to be paid for the financial year ended 30 June 2022.

The movement in the franking account balance is noted below:

	2022 $'000	2021 $'000
Opening balance	56,543	45,658
Income tax (received) / paid	(10,420)	10,885
Closing balance	46,123	56,543
Income tax receivable as at the end of financial year	(11,197)	(9,114)
Adjusted franking account balance	34,926	47,429

19 Commitments for Expenditure

(A) Capital Expenditure Commitments

	2022 $'000	2021 $'000
Not later than one year	83,986	13,266
Later than one year and not later than five years	4,366	32,768
	88,352	**46,034**

Capital commitments relate to aircraft under construction acquired for operating the two Air Ambulance contracts.

(B) Right-of-use Assets and Lease Liabilities

The Group leases aircraft and properties for operations use, with lease terms varying from 3 to 40 years.

	Aircraft leases $'000	Other leases $'000	Total $'000
At 1 July 2021	62,755	2,631	65,386
Additions	-	7,691	7,691
Transfers from business acquired	-	63	63
Foreign exchange rate adjustment	(958)	-	(958)
Depreciation	(10,195)	(1,835)	(12,030)
Impairment reversal	-	286	286
At 30 June 2022	**51,602**	**8,836**	**60,438**
At 1 July 2020	-	1,283	1,283
Additions	66,659	1,571	68,230
Depreciation	(3,904)	(223)	(4,127)
At 30 June 2021	**62,755**	**2,631**	**65,386**

Lease liabilities are recognised in accordance with AASB 16 Leases. Minimum lease payments are as follows:

	2022 $'000	2021 $'000
Not later than one year	15,394	12,656
Later than one year and not later than five years	49,197	48,767
Later than five years	19,597	25,849
	84,189	87,272
Less future finance charges	(10,493)	(17,507)
Lease Liabilities	**73,696**	**69,765**

20 Contingent Liabilities and Contingent Assets

There are no contingent liabilities nor contingent assets as at 30 June 2022 (FY2021: nil).

21 Subsidiaries

	Country of incorporation	Ownership Interest 2022 %	2021 %
Parent entity			
Regional Express Holdings Limited	Australia		
Subsidiaries			
Regional Express Pty Limited	Australia	100	100
Rex Freight & Charter Pty Limited	Australia	100	100
Rex Investment Holdings Pty Limited	Australia	100	100
Pel-Air Aviation Pty Limited	Australia	100	100
Australian Airline Pilot Academy Pty Limited	Australia	100	100
VAA Pty Ltd	Australia	100	100
AAPA Victoria Pty Ltd	Australia	100	100
NAA Pty Ltd	Australia	100	100
Rex Airlines Pty Ltd	Australia	100	100
Australian Aero Propeller Maintenance Pty Ltd	Australia	100	-

Regional Express Holdings Limited is the head entity within the tax-consolidated group. These subsidiary companies are members of the tax-consolidated group.

22 Acquisition of Business

Australian Aero Propeller Maintenance Pty Ltd was acquired on 1 February 2022 for a cash consideration of $646 thousand. The subsidiary provides propeller maintenance services to the Group's SAAB fleet, as well as to third parties' aircraft.

	Net fair value $'000
Assets and liabilities acquired:	
Other property, plant and equipment	31
Right-of-use assets	63
Inventories	459
Trade and other receivables	273
Deferred tax assets	138
Trade and other payables	(24)
Lease liabilities	(68)
Provisions	(227)
Net assets acquired	**646**
Consideration on acquisition	**646**
Less: cash acquired	**-**
Net cash paid on acquisition	**646**
Discount on acquisition	**-**

23 Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2022 $'000	2021 $'000
Cash and bank balances	14,404	2,312
Term deposits	27,820	27,800
	42,224	**30,112**

The term deposits of $27,820 thousand (FY2021: $27,800 thousand) are held by Westpac as collateral under the terms of certain financing and merchant facilities. Subject to Westpac's approval to the release of this collateral, the term deposits can be cancelled within 31 days.

(B) Reconciliation of Loss for the Year to Net Cash Flows from Operating Activities

	2022 $'000	2021 $'000
Loss after tax for the year	(46,141)	(3,859)
Adjusted for non-cash items:		
Depreciation and amortisation	35,319	20,783
Asset impairment (reversal) / expense	(40,743)	3,401
Facility fee amortisation	7,994	3,329
Fair value gain on convertible notes, warrants	(10,587)	(14,493)
Share-based payment	2,817	1,684
Unrealised foreign exchange loss	4,772	487
Loss on disposal of non-current assets	18	-
Interest received	(354)	(163)
(Increase) / decrease in assets:		
Receivables	(6,357)	(1,850)
Inventories	8,086	(535)
Income tax receivable	(2,083)	(16,793)
Deferred tax assets	3,250	4,002
Increase / (decrease) in liabilities		
Payables	19,432	6,823
Unearned revenue	14,750	14,252
Provisions	2,358	3,970
Other liabilities	-	(1,988)
Net cash flows (used in) / from operating activities	**(7,469)**	**19,051**

24 Financial Instruments

(A) Capital Risk Management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The Group's overall strategy remains unchanged from FY2021.

The capital structure of the Group consists of debt as disclosed in Note 13 and attributable to equity holders of the parent comprising issued capital, reserves as disclosed in Notes 15, 16 respectively, and retained earnings.

Operating cash flows are used to acquire assets required for the Group's operations, tax, dividends, share buy-backs and repayment of maturing debt. The Group's policy is to borrow centrally only if required.

Gearing Ratio

The Group's Board reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Board will balance its overall capital structure through the payment of dividends, new share issue and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's interest-bearing liabilities and other facilities are set out in Note 13.

The net debt position at the end of the financial year was as follows:

	2022 $'000	2021 $'000
Debt (i)	(217,717)	(152,726)
Cash and bank balances	42,224	30,112
Net debt	**(175,493)**	**(122,614)**
Equity (ii)	**152,149**	**174,408**
Debt to equity ratio	**115.3%**	**70.3%**

(i) Debt includes lease liabilities, short- and long-term borrowings, and convertible notes issued by the Group, as detailed in Note 13.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Other Financial Assets

Imputed Facility Fee

The Group's imputed facility fee is in relation to the funding agreement with PAGAC Regulus Holding Pte Ltd ("PAG"), to issue up to $150 million first ranking senior secured convertible notes over a period of three years. $50 million was drawn on 15 Mar 2021, and $100 million was recognized as rights to warrants at the fair value of $23,982 thousand, resulting in a non-cash facility fee of $23,982 thousand. This imputed facility fee is amortised over the term of the warrant provision of the convertible notes wherein if the entire commitment is not drawn by three years after the first draw date, the Group shall issue PAG with rights to warrants for the undrawn amount. $7,994 thousand has been amortised during the year (FY2021: $3,329 thousand, commencing from March 2021).

	2022 $'000	2021 $'000
Opening balance	20,653	-
Facility fee imputed at Inception Date	-	23,982
Facility fee amortised through profit or loss	(7,994)	(3,329)
	12,659	20,653
Current facility fee imputed	7,994	7,994
Non-current facility fee imputed	4,665	12,659
Closing balance	12,659	20,653

Other Financial Liabilities

Rights to Warrants

The convertible notes issued by the Group (refer to Note 13) are accompanied by rights to warrants which entitle PAGAC Regulus Holdings Pte Ltd to notes on the undrawn convertible note loan balance. The rights to warrants and convertible notes are accounted for separately. The rights to warrants have been recognized as a derivative financial liability and are subsequently measured at fair value through profit or loss.

The rights to warrants' fair value movement during the financial year has resulted in an unrealised gain attributed to the decrease in Rex's share price as at the reporting date.

Movement of the fair values at the beginning and end of the current financial year is set out below:

	2022 $'000	2021 $'000
Opening balance	15,079	-
Rights to Warrants at Inception Date	-	23,982
Fair value changes through profit or loss	(4,260)	(8,903)
Closing balance	**10,819**	**15,079**

(B) Financial Risk Management Objectives

The Group is exposed to foreign exchange, fuel price, interest rate and liquidity risk. Management of these risks is governed by the Group's policy approved by the Board of Directors, which provides written principles on the management of financial risks. Compliance with policies and exposure limits is reviewed by the Audit and Corporate Governance Committee and the Board on an ongoing basis. The Group does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function, which co-ordinates the hedging of financial risks from time to time, is managed by the Group's Corporate Services Department and reports regularly to the Board and Audit and Corporate Governance Committee.

(C) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in United States Dollars (USD) and Chinese Yuan (CNY), hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed using forward foreign exchange contracts.

The Group is mainly exposed to foreign currencies for the following main purchases, amounts used during the period are:

- USD 19 million for engineering purchases
- USD 13 million for aircraft leases
- USD 11 million for aircraft and engine purchases
- USD 7 million for engine care and maintenance
- USD 5 million for aircraft insurance policies
- USD 4 million for airline reservation systems usage

Details of USD exposure with respect to the NSW Air Ambulance aircraft and Victoria Air Ambulance aircraft purchases is set out further below.

The Group's sensitivity to foreign currency has remained constant, with the exception of the forward foreign exchange contracts which are set out further below.

Forward Foreign Exchange Contracts (FECs)

The Group enters into forward FECs to manage the risk associated with anticipated sales and purchase transactions up to twelve months and up to 100% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

During FY2022, the Group entered into a contract for the purchase of aircraft which will be used to operate the Victoria Air Ambulance aeromedical service scheduled to commence in the second half of FY2024. The purchase of these aircraft is denominated in USD.

The Group entered into a number of FECs as part of the debt facility agreement with the financier to hedge against the movement in USD. These contracts are classified as cash flow hedges.

The undiscounted cash flows required to discharge the Group's FECs in place at the end of the period are presented below:

	2022 $'000	2021 $'000
FECs – USD		
Not later than one year	5,305	491
Later than one year and not later than five years	54	-
Later than five years	**-**	**-**
	5,359	**491**
FECs – CNY		
Not later than one year	**-**	**(5)**
Later than one year and not later than five years	**-**	**-**
Later than five years	**-**	**-**
	-	**(5)**
	5,359	**486**

(D) Fuel Price Risk Management

The Group may use jet fuel swap contracts to hedge exposure to movements in the price of aviation fuel. Jet fuel swaps are taken out from time to time to hedge exposures to a maximum of 12 months in accordance with the Group's risk management policies. The Group uses fuel swaps linked to the Platts Singapore Kerosene benchmark to hedge exposures to jet fuel. There are no outstanding jet fuel swap hedges as at the end of the period (FY2021: nil).

(E) Interest Rate Risk Management

The Group's exposures to interest rates on financial assets and financial liabilities at 30 June 2022 are detailed in the liquidity risk management section of this note.

The Group has entered into a facility agreement to acquire aircraft to operate the NSW Air Ambulance contract. This facility is not fully drawn as at 30 June 2022. To hedge against exposures to interest rate risk, the Group has entered into interest rate swap contracts with the financier to fix interest rates over the facility term.

The Group has also entered into a facility agreement to acquire aircraft to operate the Victoria Air Ambulance contract. This facility is not fully drawn as at 30 June 2022. To hedge against exposures to interest rate risk, the Group has entered into interest rate swap contracts with the financier to fix interest rates over the facility term

The interest rate swaps comprise two contracts which align with the construction and service periods of the two Air Ambulance contracts. Under the swap contracts, the BBSY rate is swapped to fixed rates set out below:

	Notional amount $'000	Start date	End date	Swap rate %
30 June 2022				
Construction period	63,400	1 Mar 2022	2 Apr 2024	2.02%
Service Period	63,400	2 Apr 2024	2 Jan 2036	2.78%
Construction period 2	36,867	1 Sep 2022	1 Sep 2023	0.43%
Service period 1	73,670	4 Jan 2022	31 Dec 2031	1.26%
Service period 2	31,574	1 Sep 2023	31 Dec 2031	1.98%
30 June 2021				
Construction period 1	73,670	2 Nov 2020	1 Jan 2022	0.79%
Construction period 2	36,867	1 Sep 2022	1 Sep 2023	0.43%
Service period 1	73,670	4 Jan 2022	31 Dec 2031	1.26%
Service period 2	31,574	1 Sep 2023	31 Dec 2031	1.98%

The carrying value of the interest rate swaps as at 30 June 2022 is $16,594 thousand classified as non-current assets. The notional amount for the service period swap reduces as repayments are made under the amortising facility. The undiscounted cash flows required to discharge the Group's interest rate swap contracts in place at the end of the period are presented below:

	2022 $'000	2021 $'000
Not later than one year	13,161	4,850
Later than one year and not later than five years	75,798	68,526
Later than five years	82,143	66,343
	171,103	**139,719**

(F) Credit Risk Management

In FY2022, a travel agent the Group worked with was the target of an overseas credit card fraud consortium, resulting in over $640K of credit card chargebacks. The fraud was only identified by the Group through its monitoring and fraud prevention processes. The Group was able to identify the source of the fraudulent bookings.

The travel agent identified has agreed to return the losses from the above-mentioned fraudulent bookings in August 2022.

The Group will enable 3-D secure protocol in September 2022 as an additional layer of security for online credit and debit card transactions.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(G) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's operating activities generate positive annual cash flow under normal circumstances. The Group tries to maintain a $10 million cash balance by the end of each financial year. As and when required, the Group uses financing facilities as detailed in Note 13.

Liquidity and Interest Risk Tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The amounts disclosed are based on the contractual undiscounted principal and interest cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	5+ years $'000
At 30 June 2022					
Non-interest bearing	52,705	-	-	-	-
Interest bearing	1,001	6,733	17,937	158,919	82,143
	53,706	**6,733**	**17,937**	**158,919**	**82,143**
At 30 June 2021					
Non-interest bearing	26,792	-	-	-	-
Interest bearing	-	504	12,774	132,015	66,343
	26,792	**504**	**12,774**	**132,015**	**66,343**

The interest-bearing liabilities have a weighted average effective interest rate of 3.4% per annum for the bank loan which is repayable over 10 years, 0.15% for the NSW Ambulance advance, and 4.0% for the senior secured convertible notes.

(H) Fair Value of Financial Instruments

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at the amortised cost in the financial statements approximate their fair values.

(I) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2022				
Financial assets carried at fair value				
Derivative asset – jet fuel swap	-	-	-	-
Derivative asset – interest rate swap	-	16,595	-	16,595
Derivative asset – FECs	-	5,359	-	5,359
Financial liabilities carried at fair value				
Derivative liability – jet fuel swap	-	-	-	-
Derivative liability – rights to warrants	-	10,819	-	10,819
Financial liability – convertible notes	-	57,389	-	57,389
At 30 June 2021				
Financial assets carried at fair value				
Derivative asset – jet fuel swap	-	-	-	-
Derivative asset – interest rate swap	-	100	-	100
Derivative asset – FECs	-	520	-	520
Financial liabilities carried at fair value				
Derivative liability – jet fuel swap	-	-	-	-
Derivative liability – interest rate swap	-	593	-	593
Derivative liability – FECs	-	34	-	34
Derivative liability – rights to warrants	-	15,079	-	15,079
Financial liability – convertible notes	-	44,411	-	44,411

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Fuel swap hedging contracts, interest rate swaps and foreign exchange derivative contracts are financial instruments that use valuation techniques with only observable market inputs and are included in Level 2 above. Future cash flows are estimated based on forward rates (from observable forward rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The convertible notes and rights to warrants have been valued based on observable market inputs as outlined in Note 13 and are also included in Level 2 above.

The Group does not have any Level 1 or Level 3 financial instruments.

(J) Other Financial Assets and Liabilities

	2022 $'000	2021 $'000
Other financial assets		
Current		
Imputed facility fee	7,994	7,994
Fair value of cash flow hedges, net of tax		
Interest rate swaps	2,019	-
FECs	5,305	-
	15,318	**7,994**
Non current		
Imputed facility fee	4,665	12,659
Fair value of cash flow hedges, net of tax		
Interest rate swaps	14,576	100
FECs	54	520
	19,295	**13,279**
Other financial liabilities		
Current		
Fair value of cash flow hedges, net of tax		
Interest rate swaps	-	593
FECs	-	34
	-	627
Non current		
Rights to warrants	10,819	15,079
	10,819	**15,079**

25 Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2022 $	2021 $
Short-term benefits	2,567,000	2,115,568
Post-employment benefits	227,907	186,236
Other long-term benefits	41,978	41,978
Share-based benefits	1,013,277	181,539
	3,850,162	**2,525,321**

Management Incentive Scheme

In FY2021, the Group established the Management Incentive Scheme "MIS" to incentivise employees to generate shareholder wealth and to align the interests of the employees with those of the shareholders. The Company has granted equity settled performance rights that entitle KMP to receive shares in the Company if the defined performance conditions are achieved. Detailed remuneration disclosures, including the link between the MIS and shareholder wealth, are provided in the Remuneration Report section of the Directors' Report. Under the MIS, the performance conditions are assessed by the Remuneration Committee each year and at the next meeting immediately after the end of the performance period. If the performance conditions are met, the employees are granted shares in the Company proportionate to the level of performance achieved. If the minimum performance hurdles are not met, no shares are granted.

The table below summarises the number of performance rights granted under the MIS. There was no movement during the year.

Year ending	Opening balance	Grant Date	Number of Performance Rights granted	Exercised during the year	Lapsed during the year	Closing balance
30 June 2021	-	6 May 2021	10,000,000	-	-	10,000,000
30 June 2022	10,000,000	-	-	-	-	10,000,000

26 Related Party Transactions

(A) Equity Interests in Subsidiaries

Details of interests in subsidiaries are disclosed in Note 21 to the consolidated financial statements.

(B) Transactions with Key Management Personnel

(i) Key Management Personnel Compensation

Details of key management personnel compensation are disclosed in Note 25 to the consolidated financial statements.

(ii) Loans to Key Management Personnel

Loans amounting to $91,799 (FY2021: $91,799) were provided to two key management personnel, and interest paid during the year was $4,138 (FY2021: $4,335).

(C) Other Related Party Transactions

The Branksome Residences Pty Ltd ("Branksome"), a related entity of the Chairman, provides hotel, conference and venue hire services to the Group. Total purchases from Branksome, mainly room hire for aircrew, were $894,068 during the year (FY2021: $648,138). In addition, the Group provides administrative services to Branksome and Greatland Development Pty Ltd, a related entity of the Chairman. The total income earned by the Group from these entities was $63,240 (FY2021: $63,240).

27 Remuneration of Auditors

	2022 $	2021 $
Audit and review of the consolidated financial statements	410,000	341,652
Other assurance and agreed upon procedures	8,400	6,825
Other non-audit services - fringe benefit tax return	12,000	-
	430,400	**348,477**

The auditor of the Group is BDO Audit Pty Ltd.

28 Events After the Reporting Period

Rex commenced a massive expansion of regional services from 4 July 2022. The steep increase to eleven key regional markets saw up to a 67% increase in Rex commenced a massive expansion of regional services from 4 July 2022. The steep increase to 11 key regional markets saw up to a 67% boost in weekday services to some destinations. The increase signalled strong recovery in the regional centres of Albury, Broken Hill, Coffs Harbour, Dubbo, Orange, Griffith, Merimbula, Moruya, Port Macquarie, Wagga Wagga, Mildura and Port Lincoln; and exceeding pre-COVID capacity.

Regional route increases as at 4 July 2022
Additional capacity added (%)

Sydney – Albury	25%	Sydney – Merimbula/Moruya	15%
Sydney – Broken Hill	50%	Sydney – Port Macquarie	33%
Sydney – Coffs Harbour	67%	Sydney – Wagga Wagga	67%
Sydney – Dubbo	25%	Melbourne – Mildura	33%
Sydney – Orange	33%	Adelaide – Port Lincoln	14%* on Fridays
Sydney – Griffith	33%		

*Rex operates up to 7 return flights per weekday; with Friday increased to 8.

Rex announced that July 2022's revenue and passenger numbers were reaching pre-COVID levels for its regional operations along with an improvement in revenue per flight (8%) and load factor (7%). The increased demand was attributed in large part to strategic partnerships with travel agency groups and securing corporate accounts. Load factor dipped slightly for August 2022, however achieved over 80% for September 2022.

On the 15 July 2022 Rex announced that it had signed a Sale and Purchase Agreement to purchase National Jet Express Pty Ltd (NJE) which is also referred to as Cobham Regional Services. NJE would be acquired through Rex Freight and Charter Pty Ltd (RFC) forming a Joint Venture with private parties and would result in RFC owning 50% of NJE. NJE is a leading provider of Fly-In Fly-Out (FIFO) services in Western Australia and South Australia. It also operates freight services from Sydney to Adelaide, Brisbane, Melbourne and the Gold Coast, as well as air charter services in Papua New Guinea. Revenue for NJE in the calendar year 2021 was $142m. NJE has a fleet of 21 aircraft including eight De Havilland Dash 8-400 and six Embraer 190. Both these aircraft types are fuel efficient, have enhanced operational reliability and low carbon emissions. The Australian Competition and Consumer Commission granted pre-assessment clearance for the purchase of NJE on 26 July 2022. The Foreign Investment Review Board granted approval on 15 September 2022. The acquisition was completed on 30 September 2022.

Rex took delivery of its 61st Saab 340B *plus* aircraft in July 2022.

Rex and Australian-headquartered Dovetail Electric Aviation announced on 21 July 2022 the signing of a Letter of Intent for the formation of a strategic partnership to pioneer the conversion of turbine powered aircraft to electric, nil emission propulsion. Rex will provide an aircraft to be used as a test bed for the retrofitting of electric engines onto legacy aircraft, initially for regional and general aviation aircraft. In addition, Rex will lend its aviation and engineering expertise, technical assistance, maintenance, repair and overhaul (MRO support as well as storage facilities and workforce accommodation.

Following Qantas' announcements that it was suspending and cancelling operations on the Melbourne-Wagga Wagga and Melbourne-Mount Gambier routes respectively, Rex once again called on the Australian Competition and Consumer Commission to reopen its investigation and enforcement actions into Qantas' predatory behaviour. Rex had predicted that Qantas had launched these routes as an opportunistic strategy to flood the market with excess capacity to weaken Rex. With Qantas adjusting its capacity due to lack of aircraft and patronage, it demonstrated that the routes were uneconomical.

On 2 August 2022, Rex celebrated its 20th Anniversary. Rex held a special ceremony in Wagga Wagga to commemorate the airline's first flight, which flew from Wagga Wagga to Sydney. Passengers also joined the day's festivities as they were feted with surprise sparkling wine and special commemorative giveaways. Rex also celebrated the Anniversary with an announcement that it had achieved record high passenger numbers and revenue across both its domestic and regional networks in the first month of the Financial Year 2023 (FY2023), with July 2022's base passenger revenue on the domestic network almost double the monthly average of the prior three months, with a load factor of 86% across the entire domestic network.

On 19 August 2022, Rex commenced services between Melbourne and Devonport. The Tasmanian Premier, the Hon. Jeremy Rockliff MP, was joined by Rex Deputy Chairman, the Hon. John Sharp AM and the Chief Executive Officer of the Tasmanian Ports Corporation (TasPorts), Anthony Donald to welcome the inaugural flight with a press conference. Devonport Mayor, Annette Rockliff, and Latrobe Mayor, Peter Freshney, also took part in the inaugural celebrations.

In September 2022, Rex announced that the Domestic Boeing 737 Flight Attendant and Saab 340 Aircraft Engineer Enterprise Agreements (EA) were overwhelmingly endorsed, with majorities of 75% and 92% respectively. By the date of this report, the Fair Work Commission (FWC) had already approved the Flight Attendant EA.

The airline's seventh Boeing 737 landed in Australia, with registration VH-MFM, entering service on 9 September 2022.

Pel-Air remains on track to deliver a brand new fleet of aircraft for the provision of fixed wing air ambulance services from January 2024 for its Ambulance Victoria contract, as awarded in February 2022. The contract features four new state-of-the-art aircraft; two Beechcraft King Air 260s (B260) and two Beechcraft King Air 360s (B360). The contract is for the provision of air ambulance services for 12 years. At the date of this report, the two B260s and one B360 have arrived in Australia, with modifications due to commence.

29 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 (CODM) in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman ('CODM') 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 as follows:

- Regular Public transport
- Charter and other
- Training

The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the year under review (all revenue is earned within Australia):

	Regular Public transport $'000	Charter $'00	Training $'000	Central administration $'000	Intersegment eliminations $'000	Consolidated $'000
2022						
Revenue from contracts with customers	250,086	56,101	3,648	-	(22,664)	287,171
Government grants and subsidies	31,792	-	279	-	-	32,071
Total revenue, government grants and subsidies	**281,878**	**56,101**	**3,927**	**-**	**(22,664)**	**319,242**
Other gains / (losses)	(7,286)	(81)	(14)	-	-	(7,381)
Fair value gain on convertible notes, warrants	10,587	-	-	-	-	10,587
Central administration costs	-	-	-	(13,000)	74	(12,926)
EBITDA	(56,195)	13,813	(2,804)	(13,000)		(58,186)
Finance income	633	(46)	(233)	-	-	354
Finance costs	(5,838)	(2,076)	-	-	-	(7,914)
Depreciation and amortisation	(25,612)	(8,263)	(1,444)	-	-	(35,319)
Asset impairment reversal	37,342	-	3,401	-	-	40,743
Facility fee amortisation	(7,994)	-	-	-	-	(7,994)
Profit / (loss) before tax	**(57,664)**	**3,428**	**(1,080)**		**-**	**(7,217)**
2021						
Revenue from contracts with customers	140,907	34,025	10,375	-	(16,581)	168,726
Government grants and subsidies	87,168	68	190	-	-	87,426
Total revenue, government grants and subsidies	**228,075**	**34,093**	**10,565**	**-**	**(16,581)**	**256,152**
Other gains / (losses)	(148)	(113)	19	-	-	(242)
Fair value gain on convertible notes, warrants	14,493	-	-	-	-	14,493
Central administration costs	-	-	-	(11,769)	72	(11,697)
EBITDA	26,119	9,891	(1,697)	(11,769)	-	22,544
Finance income	264	3	(104)	-	-	163
Finance costs	(1,609)	(802)	-	-	-	(2,411)
Depreciation and amortisation	(16,103)	(3,332)	(1,348)	-	-	(20,783)
Asset impairment	-	-	(3,401)	-	-	(3,401)
Facility fee amortisation	(3,329)	-	-	-	-	(3,329)
Profit / (loss) before tax	**5,342**	**5,760**	**(6,550)**	**(11,769)**	**-**	**(7,217)**

Segment result represents the profit earned by each segment without allocation of central administration costs.

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

	Assets		Liabilities	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Continuing operations				
Regular Public transport	357,581	296,826	201,392	118,131
Charter and other	121,353	103,714	112,531	96,598
Training	16,650	14,407	29,512	25,810
Total assets and liabilities	**495,584**	**414,947**	**343,435**	**240,539**

30 Parent Entity Disclosures

	2022 $'000	2021 $'000
(A) Financial Position		
Assets		
Current assets	48,005	36,033
Non-current assets	291,358	240,864
Total assets	**339,363**	**276,897**
Liabilities		
Current liabilities	72,882	47,364
Non-current liabilities	77,074	64,714
Total liabilities	**149,956**	**112,078**
Equity		
Issued capital	73,689	72,024
Retained earnings	91,697	91,039
Share-based payments reserve	2,644	1,444
Revaluation reserve	21,061	(4)
General reserve	316	316
Total equity	**189,407**	**164,819**
(B) Financial Performance		
Profit for the year	658	17,934
Other comprehensive income	21,065	3,367
Total comprehensive income	**21,723**	**21,301**

(C) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries

During FY2011, the parent entity entered into a deed of cross guarantee in relation to the debts of Pel-Air Aviation Pty Ltd, Rex Freight and Charter Pty Ltd, Rex Investment Holdings Pty Ltd, Australian Airline Pilot Academy Pty Ltd, and Regional Express Pty Ltd.

Subsequently, the following subsidiaries joined the same deed of cross guarantee

- AAPA Victoria Pty Ltd, VAA Pty Ltd and NAA Pty Ltd, in FY2020
- Rex Airlines Pty Ltd, in FY2021
- Australian Aero Propeller Maintenance Pty Ltd, in FY2022

By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) and Instrument 2016/785 issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Regional Express Holdings Limited, they also represent the 'Extended Closed Group'. The financial information of the 'Extended Closed Group' is materially the same as that of the 'Consolidated Group'.

(D) Contingent Liabilities of the Parent Entity

As at 30 June 2022, no contingent liabilities or assets existed (FY2021: nil).

(E) Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity

As at 30 June 2022, the parent entity has no commitment for the acquisition of property, plant and equipment.

31 Significant Accounting Policies

(A) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements include the consolidated financial statements of the Group. For the purpose of preparing the consolidated statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2022.

(B) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical 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 consolidated financial statements have been prepared on a going concern basis. In preparing the consolidated financial statements the directors note that the Group and Company are in a net current asset deficiency position, due to the nature of the operations whereby customers make payment for booked flights prior to the flights being taken and the impact of COVID-19 which is set out in Note 4. The directors have prepared a cash flow forecast which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. Further details with respect to going concern are set out at Note 4.

In accordance with Legislative Instrument 2016/191 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 to the nearest hundred thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

(C) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(D) Revenue

Regular Public Transport, Charter and Freight Revenue

The Group operates a number of air transport services:

- Regular Public transport
- Charter services
- Freight services

Revenue from these services is recognised as revenue at the point in time when the transportation service is provided.

The value of passenger revenue which has been booked and paid for but not yet flown is recorded as unearned revenue in the statement of financial position. The Group does not adjust the consideration for any effects of a significant financing component as it is expected at contract inception that the period between the transfer of goods and services and customer payments will be one year or less. Ancillary revenues which are not considered distinct from the travel component because they are not capable of being separable are recognised as part of passenger revenue.

Breakage on passenger revenue is recognised in proportion to the pattern of rights exercised by the customer as reflected by the point of flown to match the timing of revenue recognition with the underlying ticket performance obligations. This is based on historical experience. This estimation is made such that the revenue recognised from passenger ticket breakage is not expected to result in a significant reversal of cumulative revenue in the future.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, such as sales commissions. The Group recognises the incremental costs of obtaining contracts in line with the timing of the revenue to which they relate.

Training Revenue

The Group operates a pilot academy, Australian Airline Pilot Academy (“AAPA”) which provides training services to the Group’s cadets as well as for external customers. Training revenue from external customers is recognised over time in relation to the training services being provided.

Cadet loans are offered to the Group’s cadets which defer payment of a portion of the training service fees over a period of seven years from the date of the completion of the pilot training. These loans are interest bearing and are repaid over the service period. The interest on the cadet loans is recognised as finance income in the statement of profit or loss.

(E) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(F) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

The Group holds term deposits for the purposes of meeting financial obligations for workers compensation insurance. In prior periods, these were treated as cash equivalents and reported as part of cash on the statement of financial position. The term deposits are interest bearing and have a maturity date of greater than 90 days at inception. Accordingly, these term deposits do not meet the definition of cash equivalents and have been classified as part of other receivables. Comparatives have been restated to reflect the change.

(G) Foreign Currencies

The individual financial statements of each Group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars (‘$’), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to Note 24).

(H) Derivative Financial Instruments

The Group enters into jet fuel swap and foreign exchange derivatives to hedge exposures to jet fuel prices and foreign exchange respectively. In the current year, the Group also entered into interest rate swap derivatives to hedge exposures to interest rates with respect to the NSW Air Ambulance facility. It is the Group's policy not to enter into or hold derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. Transaction costs attributable to the derivative are recognised in profit or loss when incurred.

Hedge Accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non financial asset or non financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

(I) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(J) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income
- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial Assets at Fair Value Through other Comprehensive Income

The Group holds equity investments at fair value through other comprehensive income where an irrevocable election has been made by the Group to present subsequent changes in fair value after initial recognition in other comprehensive income. On derecognition of the investment, there is no subsequent reclassification of fair value gains and losses to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. The Group holds loans and receivables with the objective to collect contractual cash flows and therefore they are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate

Financial Assets at Fair Value through Profit or Loss

Financial assets which do not meet the criteria for amortised cost or fair value through other comprehensive income are recognised at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 24.

Impairment of Financial Assets

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

Trade and other receivables are written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. Indicators that there is no reasonable expectation of recovery include, amongst others, the entry of the debtor into administration or liquidation.

Impairment losses on trade and other receivables are presented as impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Derecognition of Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings

(K) Financial Liabilities and Equity Instruments

Classification of Debt or Equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity Instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities at amortised cost.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial liabilities which are hybrid contracts and contain an embedded derivative can be designated at fair value through profit or loss unless one or both of the following are true:

- the embedded derivative(s) do not significantly modify the cash flows that would otherwise be received under the contract; or
- separation of the embedded derivative(s) is prohibited.

Gains or losses on a financial liability (other than a loan commitment or a financial guarantee contract) designated as at fair value through profit or loss are required to be presented as follows:

- the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability should be presented in other comprehensive income; and
- the remaining amount of the change in the fair value of the liability should be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss (in which case all gains or losses are recognised in profit or loss).

Fair value is determined in the manner described in Note 24.

Other Financial Liabilities at Amortised Cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(L) Goodwill

Goodwill acquired in a business combination is carried at cost established at date of the acquisition of the business less accumulated impairment losses if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(M) Government Grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain
Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain
conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. The grant income has been recognised in the consolidated statement of profit and loss on a gross basis with any related expenses being recognised in the applicable expense category.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(N) Impairment of Other Tangible and Intangible Assets other than Goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(O) Taxation

Income tax (benefit) / expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(P) Intangible Assets

Intangible Assets Acquired Separately

Intangible assets with finite lives that are acquired separately are recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis. Intangible assets with indefinite lives that are acquired separately are carried at cost less accumulated impairment losses.

The policies applied to finite intangible assets are as follows:

Intangible asset:	computer software
Amortisation method used:	4 years' straight line
Impairment test / recoverable amount testing:	where an indicator of impairment exists

(Q) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale, or replacement cost price in relation to the consumables.

Consumables expected to be consumed within 12 months are classified as current, or non-current where consumption are expected in a period beyond 12 months.

(R) Leasing

The Group predominantly leases properties and aircraft and equipment.

Group as Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

a. Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
   - Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
b. The amount expected to be payable by the lessee under residual value guarantees;
c. The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
d. Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

e. The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
f. The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
g. A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

(S) Property, Plant and Equipment

Land and buildings, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The rates applied are as follows:

Aircraft	15,000 to 60,000 hours
Building	20 to 40 years
Computer Equipment	4 to 5 years
Engines	10 to 20 years
Furniture & Fittings	8 to 10 years
Leasehold Improvements	over the unexpired lease period
Motor Vehicles	7 years
Plant & Equipment	8 years
Rotable Assets	5 to 20 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising in the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(T) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(U) Share-based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest with and corresponding to increase in equity.

Equity-settled share-based payment transactions with other parties other than employees are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and the date of settlement, the fair value of the liability is measured, with any changes in fair value recognised in profit or loss for the year.

Reserved share account represents on market purchase of shares by the Group which are eventually granted to executives and employees as part of their remuneration

(V) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(W) Dividend and Interest Income

Dividend from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from or financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Directors' Declaration

In the Directors' opinion:

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

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 31 to the consolidated financial statements;

(c) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with Australian Accounting Standards and giving a true and fair view of the financial position as at 30 June 2022 and performance of the consolidated entity for the financial year ended on that date; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001.*

At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 30 will be able to meet the obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 30 (C).

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors

Neville Howell
Chief Operating Officer
Sydney, 30 September 2022

Independent Auditor's Report

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Opinion

We have audited the financial report of Regional Express Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of property, plant and equipment

Key Audit Matter	*How the matter was addressed in our audit*
As at 30 June 2022, the Group has property, plant and equipment of \$279.3m, of which \$165.6m relates to aircraft, and \$113.7m relates to other property, plant and equipment, accounting for approximately 33% and 23% of the Group's total assets at 30 June 2022 respectively, as disclosed in Note 9. We identified the carrying value of non-current assets, a key audit matter due to the significance of these balances in the Group's consolidated statement of financial position and the estimate of the recoverable amount of each CGU involves complex and subjective management estimates. These estimates are based on management's judgement of key variables and market conditions such as, and amongst others, the consumer price index ("CPI"), the wage price index ("WPI"), future fuel costs, future operating performance including estimated passenger numbers, the timing and approval of future capital and operating expenditure, and the discount rate. Management completed impairment testing for the REX CGU, Domestic CGU, the Training Centres CGU, and the Pel-Air CGU as at 30 June 2022 as disclosed in Note 10. Following management's assessment, an impairment reversal of \$37.3m has been recognised against the REX CGU and \$3.4m against the training centres CGU.	Our procedures in relation to the carrying value of aircraft and other property, plant and equipment, included amongst others: • Evaluating the reasonableness of key assumptions made by management in the cash flow forecasts via enquiry, reviewing against comparable information and through the use of BDO internal valuation specialists to review the discount rate and other key variables used. • Assessing the arithmetic accuracy of the computations used in assessing the recoverable amounts of the CGUs. • Reviewing management's determination of Aircraft selling value by reference to valuations published by third party specialists. • Assessing and reviewing the accounting treatment of the reversal of the historical impairment loss adopted by management against the requirements of Australian Accounting Standards. • Performing sensitivity analysis over key inputs used in the impairment models. • Reviewing the appropriateness and adequacy of key disclosures made in Notes 9 and 10 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Independent Auditor's Report

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report under the heading `Remuneration Report` for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Regional Express Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

John Bresolin
Director

Sydney, 30 September 2022

ASX Additional Information as at 23 September 2022

This is required by the ASX, but falls outside of the audit opinion and therefore has no impact on the audit report issued.

Number of Holders of Equity Securities

Ordinary share capital

111,175,893 fully paid ordinary shares are held by 5,385 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Holding distribution

	Fully Paid Ordinary Shares		
Range	**Investors**	**Securities**	**Issued Capital (%)**
100,001 and Over	46	93,581,155	84.17
10,001 to 100,000	332	8,208,309	7.38
5,001 to 10,000	401	3,093,920	2.78
1,001 to 5,000	1,901	4,800,218	4.32
1 to 1,000	2,705	1,492,291	1.34
Total	**5,385**	**111,175,893**	**100.00**
Unmarketable Parcels	750	169,404	0.15

Substantial Shareholders

	Fully Paid	
Ordinary Shareholders	**Number**	**Percentage**
MR KIM HAI LIM	18,998,346	17.09
BNP PARIBAS NOMS PTY LTD	17,162,788	15.44
THIAN SOO LEE	7,722,181	6.95
MING YEW SEE TOH & HUI ING TJOA	7,454,362	6.71
JOO CHYE CHUA	7,454,362	6.71
MS HUI LING TJOA	5,755,513	5.18

Twenty Largest Holders of Quoted Equity Securities

	Fully Paid	
Ordinary Shareholders	**Number**	**Percentage**
MR KIM HAI LIM	18,998,346	17.09
BNP PARIBAS NOMS PTY LTD	17,162,788	15.44
THIAN SOO LEE	7,722,181	6.95
MING YEW SEE TOH & HUI ING TJOA	7,454,362	6.71
JOO CHYE CHUA	7,454,362	6.71
MS HUI LING TJOA	5,755,513	5.18
CITICORP NOMINEES PTY LIMITED	4,134,847	3.72
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,956,232	3.56
LAY KHIM NG	3,727,181	3.35
PACIFIC CUSTODIANS PTY LIMITED	3,613,334	3.25
REX INVESTMENT HOLDINGS PTY LIMITED (Account for Shares Gifted to Employees)	3,369,639	3.03
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,628,269	1.46
MR THIAN SONG TJOA	1,171,280	1.05
GLENN HARGRAVES INVESTMENTS PTY LTD	900,000	0.81
STRATEGIC VALUE PTY LTD	843,124	0.76
BNP PARIBAS NOMINEES PTY LTD	403,346	0.36
MR BOON HUAT GOH	394,500	0.35
MR BARRY ACCOLA	387,105	0.35
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	256,293	0.23
NCH PTY LTD	246,358	0.22
MR ROBERT BOSEVSKI	241,831	0.22

20 YEARS

REX GROUP OF COMPANIES