

# 21



31 December 2020

## HALF-YEAR FINANCIAL REPORT

REGIONAL EXPRESS HOLDINGS LIMITED | ACN 099547270 (ASX CODE: REX)



# REGIONAL EXPRESS HOLDINGS LIMITED

ACN 099 547 270 (ASX Code: REX)

Appendix 4D: Results For Announcement To The Market & Half-Year Financial Report  
For The Half-Year Ended 31 December 2020

# ASX APPENDIX 4D

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2020 \$M	31 Dec 2019 \$M	Change \$M	Change %
Revenue excluding government grants and subsidies	65.6	166.2	(100.6)	(60.5)
Profit from ordinary activities, government grants and subsidies, after tax attributable to members	9.9	6.9	3.0	43.5
Net profit for the period attributable to members	9.9	6.9	3.0	43.5

No dividends were paid during the half year period ended 31 December 2020. The Board has decided that no interim dividend is to be paid at this stage and does not intend to declare a final dividend given the need to preserve cash.

	31 Dec 2020 \$	31 Dec 2019 \$	Change %
Net tangible assets per ordinary share	1.68	1.84	(8.7)

This report is based on the condensed consolidated financial statements which have been subject to review by BDO Audit Pty Ltd. The review report is included in the attached half year financial report. For a brief explanation of the figures above, please refer to the Announcements on the results for the half year ended 31 December 2020 and notes to the financial statements.

## EXPLANATION OF RESULTS

An explanation of the above figures is contained in the 'Review of operations' included within the attached directors' report.

The revenues excluding government grants for the period ending 31 December 2020 reduced 60.5% against the same period last year. Passenger revenue registered an even steeper decline of 70.5%.

During the period, Rex received the Regional Airline Network Support (RANS) grant which underwrote a skeleton service to all regional and rural cities within our network to ensure a minimum level of air services to the regional communities. This allowed Rex to keep its network essentially intact albeit at a much reduced service level and dampened significantly the negative financial impact arising from a drastic 71.2% drop in passenger numbers.

Rex also received the Regional Airlines Financial Assistance (RAFA) grant which is a liquidity support designed to ensure that regional carriers are able to stay solvent and to meet their financial obligations as and when they fall due. After netting off the one-off RAFA grant amount, Rex has an underlying operating loss of \$890 thousand.



## CONTENTS

04

Directors'  
Report

08

Auditor's  
Independence  
Declaration

09

Independent  
Auditor's  
Review Report

11

Condensed  
Consolidated  
Statement of  
Profit or Loss

12

Condensed  
Consolidated  
Statement of  
Comprehensive  
Income or Loss

13

Condensed  
Consolidated  
Statement of  
Financial Position

14

Condensed  
Consolidated  
Statement of  
Cash Flows

15

Condensed  
Consolidated  
Statement of  
Changes In  
Equity

16

Notes to the  
Condensed  
Consolidated  
Financial  
Statements

23

Directors'  
Declaration

# DIRECTORS' REPORT

The directors of Regional Express Holdings Limited ('Rex') submit herewith the financial report for the half-year ended 31 December 2020.

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

Name	Title
Lim Kim Hai	Executive Chairman
The Hon. John Sharp AM	Deputy Chairman and Independent Director
Neville Howell	Chief Operating Officer and Executive Director
Chris Hine	Executive Director
James Davis	Independent Director
Lee Thian Soo	Non-Executive Director
Ronald Bartsch	Independent Director

## REVIEW OF OPERATIONS

### SUMMARY REVIEW

The revenues excluding government grants for the period ending 31 December 2020 reduced 60.5% against the same period last year. Passenger revenue registered an even steeper decline of 70.5%.

During the period, Rex received the Regional Airline Network Support (RANS) grant which underwrote a skeleton service to all regional and rural cities within our network to ensure a minimum level of air services to the regional communities. Rex also received the Regional Airlines Financial Assistance (RAFA) grant which is a liquidity support designed to ensure that regional carriers are able to stay solvent and to meet their financial obligations as and when they fall due. The Group reported an operational profit after tax of \$9.9M. After netting off the one-off RAFA grant amount, the Group reported an underlying operating loss of \$890 thousand. The Group reported a \$6.9M profit after tax during the same period in the prior year.

Network capacity dropped during First Half Financial Year 2021 (1H FY21) due to the continued impact of the COVID-19 Pandemic, with the Available Seat Kilometres (ASKs) reducing by 65.7% against the same period last year in response to the steep drop in demand.

Passenger numbers decreased by 71.2%. The load factor also decreased by 1.8% points to 60.7% for the period.

The period under review marks the first reporting period where the Sydney to Newcastle, Adelaide to Mildura and Adelaide to Port Augusta routes were suspended due to COVID-19.

### KEY PERFORMANCE INDICATORS TABLE

	1H FY 2021	1H FY 2020	Change
Passengers	190,033	659,053	-71.2%
ASKs (M)	144.6	421.4	-65.7%
Average Fare (\$)	228.9	223.0	2.7%
Load Factor	60.7%	62.5%	-1.8% pts
Total RPT Revenue/ASK (cents)	31.4	35.4	-11.2%
Total Pax Cost/ASK (cents)	59.5	35.2	69.1%
Fuel % Total Cost	9.4%	13.7%	-4.2% pts

# DIRECTORS' REPORT

## GOVERNMENT ASSISTANCE

Rex continued receiving Government aviation assistance as foreshadowed in the FY 20 Annual Report in response to the COVID-19 pandemic.

Like all regional airlines in Australia, Rex received the following Federal assistance during the period under review:

Australian Airline Financial Relief Package (AAFRP)– this provides refunds and fee waivers for aviation fuel excise, AirServices Australia charges and government mandated airport security charges.

Regional Airline Funding Assistance (RAFA) Program – this is a liquidity assistance program available to all regional airlines and seeks to meet the short term liquidity needs of the airline due to the sudden and drastic reduction of passenger revenue.

Regional Airline Network Support (RANS) Program – this program is available to all regional airlines and underwrites a minimum skeleton schedule (either two returns or three return services a week) to ensure essential services are maintained to regional and rural communities.

Domestic Airline Network Support (DANS) Program – this program is available to an airline flying on any of the 50 busiest domestic routes in Australia and works on similar principles as RANS, but is designed to maintain connectivity on major domestic air routes. Rex is a minor recipient of this program and received assistance only for the Sydney – Ballina route.

Like other eligible companies in Australia, Rex also received the JobKeeper Payment scheme.

Rex places on record its profound gratitude for the swift and bold intervention of the Morrison-McCormack Government without which all regional carriers would have collapsed.

In addition, Rex received targeted assistance from the State Governments in Western Australia, South Australia and Queensland.

## ROUTE NETWORK DEVELOPMENTS

This reporting period recorded continued service disruption arising from the COVID-19 Pandemic and resulted in a drastically reduced schedule.

Following the onset of the Pandemic in March 2020, the sharp decline in passenger numbers impacted the viability of services.

During the 1H FY21 period, the RANS Program supported between two to three return services per week across the network as per the Grant Guidelines.

In addition to the flight services underwritten by the RANS Program, additional flight services were supported by the Queensland, Western Australia and South Australian state governments.

At the date of this report, Rex continues to receive the assistance outlined above.

There were some increases in flights during the reporting period in certain ports where demand showed signs of recovery, particularly in Western Australia with increases to the flight schedule effective July 6, 2020 and August 31, 2020.

In order to stimulate demand and coinciding with the opening up of state borders and reductions in intrastate travel restrictions, Rex expanded the Community Fare Scheme to incorporate 50 regional destinations.

Incredibly, even with demand remaining very weak, Qantas more than doubled flights on routes on which it competes with Rex. Rex was forced to mount additional services to hold our ground. The schedule on routes that compete with Qantas was increased on July 6 2020, to weekday return services, with twice-daily return services on certain days to facilitate same-day return travel.

On June 29, 2020, the Rex Board approved an initiative to raise a minimum of AUD \$30 million for the commencement of domestic operations through one or more of the following avenues: sale-and-leaseback arrangement, equity injection and/or convertible notes.

On November 19, 2020, Rex announced that it had signed an agreement with PAG Regulus Holdings Pte Ltd (PAG), a subsidiary of leading Asia-Pacific focused investment firm PAG, for investment by PAG of up to AUD\$150 million. The investment comprises first ranking senior secured convertible notes to be used exclusively to support the launch of Rex's domestic jet operations, scheduled to commence on 1 March 2021.

Letter of Intent with two lessors was signed on September 29, 2020 for the lease of six Boeing 737-800 Next Generation (NG) aircraft.

Subsequently, tickets for Melbourne/Sydney domestic services went on sale on December 2, 2020. To commemorate the launch of ticket sales, 100,000 tickets were released at \$79.

The Foreign Investment Review Board (FIRB) granted approval on December 7, 2020, for PAG to acquire an interest in Rex subject to typical conditions.

On December 15, 2020, the Australian Civil Aviation Safety Authority (CASA) issued Rex with a High Capacity Air Operator's Certificate (HCAOC) which sees Rex being approved to operate the Boeing 737 800NG aircraft.

# DIRECTORS' REPORT

## FLEET CHANGES

At the end of July 2020, Rex debuted its first Saab 340 with a fresh new interior. The refurbished interior features specially designed leather seats, LED lighting and new matching carpet and cabin trim. Two more Saab have also been retrofitted, and the new-look interiors which will be phased in gradually as aircraft complete heavy maintenance checks at Rex's engineering base in Wagga Wagga.

On September 29, 2020, Rex signed Letters of Intent with two Lessors for the lease of six Boeing 737-800 NG aircraft. Two aircraft were delivered during the reporting period, with the first aircraft arriving on November 5, 2020, and the second aircraft delivered on December 23, 2020.



Pel-Air Aviation Pty Ltd took delivery of a Beechcraft King Air 350 aircraft on November 30, 2020. The aircraft is the first of five aircraft to be delivered for the NSW Ambulance Fixed-Wing Air Ambulance Services contract that was awarded to Pel-Air in February 2020. The aircraft is undergoing modifications to be ready for operations on 1st January 2022.

## COMMUNITY, ENVIRONMENT AND SERVICE STANDARDS

Rex has continued to adapt and remain agile in order to navigate measures to address the risk of COVID-19. Rex was the first airline to mandate temperature checking of all passengers and the compulsory wearing of masks. These policies were maintained for the entirety of the reporting period. Eventually Qantas and Virgin followed Rex's lead.

The 'Rex Community Fare Scheme' offers a deeply discounted price if booked at least 30 days prior to departure subject to Community Fare availability, in addition to all remaining unsold seats within 24 hours before departure. In the 1H FY21 there were more than 55,000 regional passengers that benefited from the 'Rex Community Fare Scheme', directly benefiting the socio-economic fabric of Regional Australia.

During the reporting period, Rex carried out a massive initiative to proactively refund tens of thousands of passenger tickets that had been booked before March 28 2020. Rex also sent out six monthly advisories to travel agents to ask them to submit requests for refunds on behalf of their customers. This was to reduce the hardship faced by our passengers most of whom were severely affected by the COVID-19 pandemic.

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Regional Express Holdings Limited submits an annual public report with the Workplace Gender Equality Agency (Agency) for every financial year. The Agency in its latest report of September 20 has certified Rex as being compliant with the Act.

Rex registered for the National Greenhouse Energy Reporting Act 2007 (NGER) programme in 2009 and submitted its 11th NGER report to the Clean Energy Regulator in October 2020.

# DIRECTORS' REPORT

On December 2, 2020, a new website and internet booking engine (IBE) went live following months of design and development work. This new website features the launch of the domestic services on March 1, 2021 and tickets for these domestic flights are available for sale on the new site.

The measure for on-time performance is extracted from the Bureau of Infrastructure, Transport and Regional Economics (BITRE). BITRE suspended its on-time performance reports between April 2020 and December 2020.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 8 of the half-year report.

## ROUNDING OFF OF 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 directors' report and financial statements, amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

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

On behalf of the Directors



**Neville Howell**

**Director**

Sydney, 26 February 2021

# AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
www.bdo.com.au

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 for the review of Regional Express Holdings Limited for the half-year ended 31 December 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'J. Bresolin', is written over a light blue horizontal line.

**John Bresolin**  
Director

**BDO Audit Pty Ltd**

Sydney, 26 February 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REVIEW REPORT



Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
www.bdo.com.au

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Regional Express Holdings Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Regional Express Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

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

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENT AUDITOR'S REVIEW REPORT



## **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'John Bresolin'. Above the signature, the letters 'BDO' are written in a stylized, cursive font.

**John Bresolin**  
**Director**

Sydney, 26 February 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Half-year ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Passenger revenue		42,809	145,077
Freight revenue		507	754
Charter revenue		15,847	14,372
Other passenger services and amenities		11	809
Other revenue		6,442	5,231
<b>Total revenue</b>		<b>65,616</b>	<b>166,243</b>
Government grants and subsidies including JobKeeper		59,434	-
<b>Total revenue, government grants and subsidies</b>		<b>125,050</b>	<b>166,243</b>
<b>Finance income</b>		<b>47</b>	<b>412</b>
<b>Other gains / (losses)</b>		<b>793</b>	<b>(177)</b>
Flight and port operation costs (excluding fuel)		(16,875)	(30,641)
Fuel costs		(7,044)	(22,022)
Derecognition and discontinuation of fuel hedges		(3,474)	647
Salaries and employee-related costs		(44,391)	(58,041)
Selling and marketing costs		(2,021)	(4,720)
Engineering and maintenance costs		(20,367)	(27,012)
Office and general administration costs		(6,927)	(4,331)
Finance costs		(656)	(915)
Depreciation and amortisation		(6,513)	(9,475)
Asset impairment	11	(3,401)	-
<b>Total costs and expenses</b>		<b>(111,669)</b>	<b>(156,510)</b>
<b>Profit before tax</b>		<b>14,221</b>	<b>9,968</b>
Tax expense		(4,298)	(3,118)
<b>Profit after tax</b>		<b>9,923</b>	<b>6,850</b>
<b>Profit attributable to:</b>			
Members of the parent		9,923	6,850
		<b>9,923</b>	<b>6,850</b>
<b>Earnings per share</b>		<b>cents per share</b>	<b>cents per share</b>
Basic		9.0	6.2
Diluted		9.0	6.2

The accompanying notes form part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OR LOSS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Half-year ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Profit after tax</b>		<b>9,923</b>	<b>6,850</b>
<b>Other comprehensive income / (loss)</b>			
Hedging reserve			
Revaluation of cash flow hedges		1,662	(164)
Income tax effect		(498)	49
<b>Other comprehensive income / (loss) net of tax</b>	<b>7</b>	<b>1,164</b>	<b>(115)</b>
<b>Total comprehensive income for the period</b>		<b>11,087</b>	<b>6,735</b>

The accompanying notes form part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Current assets</b>			
Cash and bank balances		9,404	11,198
Trade and other receivables		28,104	18,353
Inventories		12,869	8,410
Other financial assets	12	89	40
Current tax receivable		1,030	-
<b>Total current assets</b>		<b>51,496</b>	<b>38,001</b>
<b>Non-current assets</b>			
Other receivables		7,076	7,114
Inventories		9,515	11,303
Investments - fair value through equity		9	9
Deferred tax assets		19,906	22,537
Property, plant and equipment			
Aircraft		96,557	92,272
Other property, plant and equipment		78,799	80,145
Right-of-use assets	3	10,579	1,283
Other intangible assets		246	181
<b>Total non-current assets</b>		<b>222,687</b>	<b>214,844</b>
<b>Total assets</b>		<b>274,183</b>	<b>252,845</b>
<b>Current liabilities</b>			
Trade and other payables		21,645	19,483
Unearned revenue		10,713	16,027
Interest bearing liabilities	4	18,097	14,220
Lease liabilities	3	2,195	130
Provisions		10,504	8,117
Current tax payable		-	7,689
Other financial liabilities	12	1,494	6,255
<b>Total current liabilities</b>		<b>64,648</b>	<b>71,921</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	4	10,454	-
Lease liabilities	3	9,343	2,329
Provisions		3,088	2,949
Other financial liabilities	12	1,748	1,988
<b>Total non-current liabilities</b>		<b>24,633</b>	<b>7,266</b>
<b>Total liabilities</b>		<b>89,281</b>	<b>79,187</b>
<b>Net assets</b>		<b>184,902</b>	<b>173,658</b>
<b>Equity</b>			
Issued capital	6	72,024	72,024
Reserved shares	6	188	(628)
Retained earnings		112,583	102,660
Share-based payments reserve	7	724	1,383
Other reserves	7	(617)	(1,781)
<b>Total equity</b>		<b>184,902</b>	<b>173,658</b>

The accompanying notes form part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Half-year ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Receipts from customers		61,220	185,409
Proceeds from government grants and subsidies		49,861	-
Payments to suppliers, employees and others		(97,304)	(167,689)
Interest paid		(610)	(478)
Income tax paid		(10,885)	(4,617)
<b>Net cash flows from operating activities, government grants and subsidies</b>		<b>2,282</b>	<b>12,625</b>
Interest received		47	412
Proceeds from disposal of property, plant and equipment		1	26
Payments for acquisition of business		-	(8,650)
Payments for aircraft under construction		(11,268)	-
Payments for property, plant and equipment - aircraft and other		(6,588)	(9,594)
Payments for property, plant and equipment - software		(93)	(65)
<b>Net cash flows used in investing activities</b>		<b>(17,901)</b>	<b>(17,871)</b>
Dividends paid		-	(8,725)
Shares purchased as reserve shares		(446)	(184)
Salary sacrifice - payment for shares		4	-
Lease liabilities paid		(64)	(205)
Repayment of borrowings – non-related parties	4	(7,337)	(2,100)
Proceeds from borrowings - non-related parties	4	21,668	4,549
<b>Net cash flows from / (used in) financing activities</b>		<b>13,825</b>	<b>(6,665)</b>
<b>Net decrease in cash held</b>		<b>(1,794)</b>	<b>(11,911)</b>
<b>Cash at the beginning of the period</b>		<b>11,198</b>	<b>21,727</b>
<b>Cash at the end of the period</b>		<b>9,404</b>	<b>9,816</b>

The accompanying notes form part of these financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company						
	Issued capital \$'000	Reserved shares \$'000	Retained earnings \$'000	Share-based payments reserve \$'000	Cash flow hedge reserve \$'000	General reserve \$'000	Total equity \$'000
<b>At 1 July 2019</b>	<b>72,024</b>	<b>(1,163)</b>	<b>131,165</b>	<b>1,551</b>	<b>252</b>	<b>1,590</b>	<b>205,419</b>
Adjustment on adoption of AASB 16 Leases	-	-	(383)	-	-	-	(383)
Restated balance at 1 July 2019	72,024	(1,163)	130,782	1,551	252	1,590	205,036
Profit for the period	-	-	6,850	-	-	-	6,850
Other comprehensive loss net of tax	-	-	-	-	(115)	-	(115)
Total comprehensive income / (loss) for the period	-	-	6,850	-	(115)	-	6,735
Dividends paid	-	-	(8,725)	-	-	-	(8,725)
Shares purchased as reserve shares	-	(184)	-	-	-	-	(184)
Share gift issued - gift	-	1,156	-	(1,156)	-	-	-
Share gift plan provision	-	-	-	683	-	-	683
<b>At 31 December 2019</b>	<b>72,024</b>	<b>(191)</b>	<b>128,907</b>	<b>1,078</b>	<b>137</b>	<b>1,590</b>	<b>203,545</b>
<b>At 1 July 2020</b>	<b>72,024</b>	<b>(628)</b>	<b>102,660</b>	<b>1,383</b>	<b>(3,371)</b>	<b>1,590</b>	<b>173,658</b>
Profit for the period	-	-	9,923	-	-	-	9,923
Other comprehensive loss net of tax	-	-	-	-	1,164	-	1,164
Total comprehensive income for the period	-	-	9,923	-	1,164	-	11,087
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	-	-	-	599	-	-	599
<b>At 31 December 2020</b>	<b>72,024</b>	<b>188</b>	<b>112,583</b>	<b>724</b>	<b>(2,207)</b>	<b>1,590</b>	<b>184,902</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

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

### BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off the amounts in the financial statements, amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

The condensed consolidated financial statements have been prepared on a going concern basis. In preparing the condensed 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. The directors are aware that financial support by government (related to Job Keeper, RANS) potentially ceases at the end of March 2021 and have prepared a cash flow forecast that indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements at least for the 12 month period from the date of signing this financial report. The Group will continue to focus on cost controlling and expects future positive cash flows from the domestic routes that are scheduled to commence on 1 March 2021. In addition shareholders' approval was obtained during January 2021 for the first tranche of \$50m of the convertible note from PAG Asia Capital to further support these domestic operations. Furthermore the Group's charter business unit continues to generate positive cash flows and management will review and cease unprofitable regional routes as announced on the ASX as at 22 February 2021. 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.

The Board has also taken into account the uncertainties posed by the COVID pandemic in particular sudden border closures. With the exception of a few routes, the Company's regional network is intrastate and thus largely unaffected by border closures.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting 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 NOT YET EFFECTIVE

At the date of authorisation of the financial statements, there are no Standards and Interpretations that were issued but not yet effective.

### 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.

## 2. SEGMENT INFORMATION

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

Information reported to the Group's Executive Chairman (the 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. During the period, the CODM has placed additional emphasis on the review of discrete financial information pertaining to the training centres and therefore, as of the current period, is considered a separate operating segment. This represents a change in segmentation compared to prior period, which only included regular public transport and charter as reportable segments.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 period under review:

	Revenue		Segment result	
	Half-year ended		Half-year ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>				
Regular public transport	43,605	148,099	(37,684)	12,964
Charter and other	15,900	14,424	3,884	1,984
Training	6,111	3,720	(4,670)	31
	65,616	166,243	(38,470)	14,979
Government grants and subsidies	59,434	-	59,343	-
Finance income			47	412
Other gains / (losses)			793	(177)
Central administration costs and directors' salaries			(6,927)	(4,331)
Finance costs			(656)	(915)
Profit before tax			14,221	9,968
Tax expense			(4,298)	(3,118)
<b>Consolidated segment revenue and profit</b>	<b>125,050</b>	<b>166,243</b>	<b>9,923</b>	<b>6,850</b>

The revenue reported above represents revenue generated from external customers. There were no intersegment sales.

Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

	Assets		Liabilities	
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>				
Regular public transport	196,151	180,692	13,935	19,674
Charter and other	63,027	53,216	50,060	44,199
Training	15,005	18,937	25,286	15,314
<b>Total assets and liabilities</b>	<b>274,183</b>	<b>252,845</b>	<b>89,281</b>	<b>79,187</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases aircraft and buildings, with lease terms varying from 3 to 40 years. During the period under review, the Group took delivery of two leased airplanes in preparation for the launch of domestic city flights scheduled to commence in the second half of the financial year.

	Leased aircraft \$'000	Leased premises \$'000	Total \$'000
<b>At 1 July 2020</b>	-	1,283	1,283
Additions	9,655	-	9,655
Depreciation	(313)	(46)	(359)
<b>At 31 December 2020</b>	9,342	1,237	10,579
<b>At 1 July 2019</b>			
On initial adoption	1,306	2,021	3,327
Additions	-	965	965
Disposals	(1,120)	-	(1,120)
Depreciation	(186)	(82)	(268)
<b>At 31 December 2019</b>	-	2,904	2,904

Lease liabilities were recorded in accordance with AASB 16 *Leases* for aircraft and property leases used for operations.

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Current	2,195	130
Non-current	9,343	2,329
	11,538	2,459

### Amounts recognised in profit and loss

Depreciation expense on right-of use assets	359	268
Interest expense on lease liabilities	105	73

## 4. INTEREST BEARING LIABILITIES

	31 Dec 2020		30 Jun 2020	
	Effective interest rate %	\$'000	Effective interest rate %	\$'000
<b>Current</b>				
Advance	0.15%	18,097	0.15%	10,000
Loan facility		-	9.10%	4,220
		18,097		14,220
<b>Non-current</b>				
Loan facility	2.12%	10,454		-

The advance is a short-term emergency cash flow advance provided to the Group by NSW Air Ambulance to assist the Group in meeting the capital expenditure of a number of aircraft assets in preparation for the NSW medical evacuation contract due to commence in FY2022. The advance is repayable from December 2020 to December 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Westpac loan facility as at 31 December 2020 relates to the acquisition of a number of aircraft that will be utilised for the NSW Air Ambulance operations. As the aircraft are constructed and delivered, this facility will be drawn down with total drawings of \$77,775 thousand. Under the terms of the facility agreement, on commencement of the NSW Air Ambulance operations in January 2022 this construction loan will be converted into an amortising facility which is repayable over the life of the NSW Air Ambulance contract, being 10 years. The facility is secured by the aircraft and a guarantee by the Group.

The loan facility as at 30 June 2020 relates to the acquisition of a number of aircraft which are utilised for the Victorian Air Ambulance operations. The loan was fully repaid on 25 August 2020.

The Group's debt facilities include the following:

Contract	31 Dec 2020		30 Jun 2020	
	Used \$'000	Limit \$'000	Used \$'000	Limit \$'000
NSW Air Ambulance	10,454	77,775	-	15,555
Victorian Air Ambulance	-	-	4,220	5,545

## 5. DIVIDENDS

In respect of results for financial year ended 30 June 2020 (FY2020) and for the period under review, the directors have recommended no dividends to be paid out given the uncertain and challenging conditions arising from the COVID-19 crisis.

	Half-year ended			
	31 Dec 2020		31 Dec 2019	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
Dividends paid	-	-	8	8,812
Dividends received for shares in the Employee Share Gift Scheme	-	-	8	(87)
<b>Final dividend</b>	-	-	8	8,725

## 6. ISSUED CAPITAL AND RESERVED SHARES

	31 Dec 2020		30 Jun 2020	
	No. '000	\$'000	No. '000	\$'000
<b>Ordinary shares</b>				
Issued and fully paid	110,155	72,024	110,155	72,024
Reserved shares	(152)	188	(914)	(628)

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Reserved shares</b>		
At the beginning of the year	(628)	(1,163)
Shares purchased as reserved shares	(446)	(623)
Share gift issued	1,262	1,158
At the end of the period	188	(628)

Reserved shares account represents on market purchase of shares by the Group which are eventually granted to employees under the Employee Share Gift Scheme.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. SHARE-BASED PAYMENTS RESERVE AND OTHER RESERVES

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Share-based payments reserve</b>		
At the beginning of the year	1,383	1,551
Share gift issued	(1,262)	(1,158)
Share gift plan provision	599	990
Share gift issued - salary sacrifice	4	-
At the end of the period	<b>724</b>	<b>1,383</b>
<b>Cash flow hedge reserve</b>		
At the beginning of the year	(3,371)	252
Net revaluation of cash flow hedges, net of tax	1,164	(3,623)
At the end of the period	<b>(2,207)</b>	<b>(3,371)</b>
<b>General reserve</b>		
At the beginning of the year	1,590	1,590
Movement during the period	-	-
At the end of the period	<b>1,590</b>	<b>1,590</b>
<b>Total other reserves</b>	<b>(617)</b>	<b>(1,781)</b>

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

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

Under the Employee Share Gift Scheme, 1,127 thousand shares were issued to employees (2019: 820 thousand), and no new shares were issued (2019: nil).

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

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

## 9. CONTINGENCIES AND COMMITMENTS

### CAPITAL EXPENDITURE COMMITMENTS

There are no commitments for the acquisition of property, plant and equipment as at 31 December 2020 (2019: nil).

### LEASE COMMITMENTS

As at 31 December 2020, the Group has committed to leasing four B737 aircraft which it expects to take delivery of before the end of the financial year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

At the AGM of 29 January 2021, Shareholders voted to approve an investment deal for the first tranche of \$50m of the total of \$150m with PAGAC Regulus Holding Pte Ltd to fund its domestic operations, starting on 1 March 2021.

On the 22 February 2021 Rex announced a major revamp of its regional route network in response to aggressive predatory moves by Qantas into thin regional routes serviced by Rex.

## 11. ASSET IMPAIRMENT

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)
- Australia Airline Pilot Academy Pty Ltd and AAPA Victoria Pty Ltd (Training)

The Australian Airline Pilot Academy (AAPA) was part of Rex CGU in FY2020. Up to that point, AAPA primarily trained Rex cadets to support the airline's pilot requirements. During FY2020, Rex acquired AAPA Victoria Pty Ltd (AAPAV) with the intention of combining the resources of both entities. This would allow AAPA to train a greater number of pilots from other airlines (external pilots) thus making pilot training an independent source of income for the Group.

However, due to border closures and the overall reduction in the demand for pilots brought about by the COVID pandemic, the Group's pilot training expansion plans were put on hold. No new external pilots have been enrolled with AAPA or AAPAV (the Academies) since the onset of COVID in March 2020 and AAPA continued training Rex cadets. As at the end of FY2020, the Academies remained part of the Rex CGU given the uncertainties of external pilot training. The assets of the Academies were not impaired as at 30 June 2020 as the fair value of the aircraft were higher than the carrying value.

During December 2020, the Group reassessed the global pilot training market and determined that there is still a strong demand for pilot training especially from Asian carriers. As such it was deemed appropriate to form a separate CGU consisting of the training academies. The recoverable value of the training CGU, which was 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 to the Academies.

The recoverable value for the Pel-Air CGU was also calculated using FVLCD. This was higher than the Pel-Air carrying value and as such no impairments were deemed necessary as at 31 December 2020.

COVID pandemic restrictions imposed by Australia and other countries since March 2020 continued to adversely impact the Rex CGU during the period of review. When comparing the recoverable value and carrying value of the Rex CGU it was deemed that the impairment as at 30 June 2020 remains appropriate and no further impairment nor reversal of impairment was required.

### KEY ASSUMPTIONS

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

Key Assumptions	Rex CGU
Discount rate (i)	11.00%
Revenue growth (ii)	2.00%
Fuel cost escalation (iii)	2.00%
Operating cost escalation (iv)	2.00%
Fleet life	17 years

- (i) Post-tax discount rate applied to the cash flow projections.
- (ii) Revenue growth based on historical experience and market conditions, fleet plans and competitor behaviour.
- (iii) The fuel cost escalation has been set with regard to the prevailing purchase price of fuel to the extent fuel costs cannot be recovered from customers.
- (iv) Operating cost escalation has been estimated with regard to CPI adjustment for domestic costs and prevailing spot rate for overseas purchases.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. FINANCIAL INSTRUMENTS

The Group entered into foreign exchange derivatives to partially mitigate against fluctuations in foreign currency purchases. These derivatives have been classified as cash flow hedges and the fair value at 31 December 2020 has been recognised in other comprehensive gains and losses.

The Group uses 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. There are no outstanding jet fuel swap hedges as at 31 December 2020.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Fuel swap hedging contracts, interest rate swaps and foreign exchange derivatives are determined using a generally accepted pricing model based on discounted cash flow analysis using assumptions supported by observing market rates.

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

The following table represents material financial assets and liabilities that were measured and recognised at fair value:

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Derivative assets / (liabilities)</b>		
Foreign exchange contract – USD	(1,158)	(829)
Foreign exchange contract – CNY	89	40
Jet fuel swap	-	(5,334)
Interest rate swap	(2,084)	(2,080)

### FAIR VALUE HIERARCHY

The table below analyses material financial instruments carried at fair value by valuation method. 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).

Financial instruments carried at fair value are classified as follows:

	Classification	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<b>Derivative assets / (liabilities)</b>			
Foreign exchange contract – USD	Level 2	(1,158)	(829)
Foreign exchange contract – CNY	Level 2	89	40
Jet fuel swap	Level 2	-	(5,334)
Interest rate swap	Level 2	(2,084)	(2,080)

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

# DIRECTORS' DECLARATION

The directors declare that:

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'N. Howell', written in a cursive style.

Neville Howell

Director

Sydney, 26 February 2021

THIS PAGE IS INTENTIONALLY LEFT BLANK

## REX GROUP OF COMPANIES:

