

Q4



31 December 2006
Half Year Results Announcement to the ASX

Regional Express Holdings Limited

ACN 099 547 270 (ASX Code: Rex)



Results for announcement to the market

	31 Dec 2006	31 Dec 2005	Change	Change
	\$m	\$m	\$m	%
Revenue	104.4	86.7	+17.7	+20.4
Profit from ordinary activities after tax attributable to members	11.5	9.3	+2.2	+23.7
Net profit for the period attributable to members	11.5	9.3	+2.2	+23.7

Dividends

	Amount per share	Franked amount per share
Interim dividend (31 Dec 2006)	NIL	NIL
Record date for determining entitlements	NIL	NIL

Explanation of results

Despite high fuel prices and the ongoing severe drought conditions in much of rural Australia, Rex's continued commitment to its base strategies of operating a reliable on-time service, offering very affordable fares through continued unit cost reduction and improved efficiency and fostering partnerships with local communities, resulted in increased passenger growth, revenue and profit.

For the first half of FY 2007, passengers carried increased 20.6% over the same period in FY 2006. Revenue grew 20.4% to \$104.4m and Profit after Tax grew 23.7% from \$9.3m to \$11.5m.

Rex continued with its strategy to phase out the 19 seat Metro 23 aircraft from regular passenger services and this was completed during the reporting period resulting in improvements to the quality of the services for customers and increased capacity providing the ability to achieve further passenger growth. At the same time, service frequency and capacity were added for several routes (refer to review of operations in the Directors' Report on pages 1 - 3 for more details).

Other information

	Dec 2006	Dec 2005
	\$	\$
Net tangible assets per ordinary share	0.64	0.56

Details of associates

CONTRIBUTION TO NET PROFIT				
Equity accounted associate	31 Dec 2006	31 Dec 2005	Change	Change
	\$'000	\$'000	\$'000	%
Pel-Air Aviation Pty Ltd Profit from ordinary activities after tax attributable to members	821	952	-131	-13.8



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The directors of Regional Express Holdings Limited submit herewith the financial report for the half-year ended 31 December 2006.

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:

Lim Kim Hai – Executive Chairman

John Sharp – Deputy Chairman & Independent Director

Geoffrey Breust – Managing Director, Corporate Affairs & Strategy

James ('Jim') Davis – Managing Director, Operations

David Miller – Chief Executive Officer, Air Link Pty Ltd (Alternate Director to James Davis)

Lee Thian Soo – Non-Executive Director

Robert Winnel – Independent Director

Russell Hodge – Executive Director, Pel-Air Operations

REVIEW OF OPERATIONS



Despite high fuel prices and the ongoing severe drought conditions in much of rural Australia, Rex's continued commitment to its base strategies of operating a reliable on-time service, offering very affordable fares through continued unit cost reduction and improved efficiency and fostering partnerships with local communities, resulted in increased passenger growth, revenue and profit.

For the first half of FY 2007, passengers carried increased 20.6% over the same period in FY 2006. Revenue grew 20.4% to \$104.4m and Profit after Tax grew 23.7% from \$9.3m to \$11.5m.

Route Network Developments

Rex continued with its strategy to phase out the 19 seat Metro 23 aircraft from regular passenger services and this was completed during the reporting period resulting in improvements to the quality of the services for customers and increased capacity providing the ability to achieve further passenger growth.

Service frequency was increased on Melbourne – Burnie, Adelaide – Port Lincoln and Adelaide – Kingscote following the withdrawal of services by Qantaslink on these routes in June and July. Frequency was increased on Sydney – Wagga Wagga in July bringing the schedule frequency to six return flights each weekday. Frequency and capacity was added to Adelaide – Olympic Dam services progressively over the period in response to increased demand from BHP Billiton and the local community. Additional services were also added to increase capacity of the Sydney – Moruya – Merimbula route in response to increased demand. Operations in Portland were ceased on 31 December 2007.

The increased demand for services in concert with the withdrawal of the Metro 23 type resulted in three additional Saab 340 aircraft being added to the fleet bringing the total Saab fleet to 29.

The withdrawal of Qantaslink from the routes mentioned above resulted in Rex competing with Qantaslink on only four routes – Sydney – Albury, Dubbo and Wagga Wagga and Melbourne – Mildura.



Improving Productivity

The Rex Group Productivity Committee continues to review and examine cost savings and efficiency measures across all cost items.

While fuel prices remained high, some relief came into play towards the end of the period. Nevertheless, the Group's total fuel costs increased from \$12.9m in the first half of FY 2006 to \$16.8m in the same period this FY.

Although the Group's total cost per ASK increased by 5.5% from 22.0 cents/ASK in the last period to 23.2 cents/ASK in the same period this FY, the total cost per ASK for Rex only increased by a much lower amount of 3.5%. The cost per ASK excluding fuel increased by 3.8% for the Group while it increased only 1.8% for Rex.

The higher than expected increases in fuel costs and other costs were partly due to the full inclusion of Air Link Pty Limited's costs as a subsidiary compared to the previous period where only one month of Air Link's costs was taken in. The table below shows the cost increase over the same half year period last FY for Rex as a Group and for Rex Airline only.



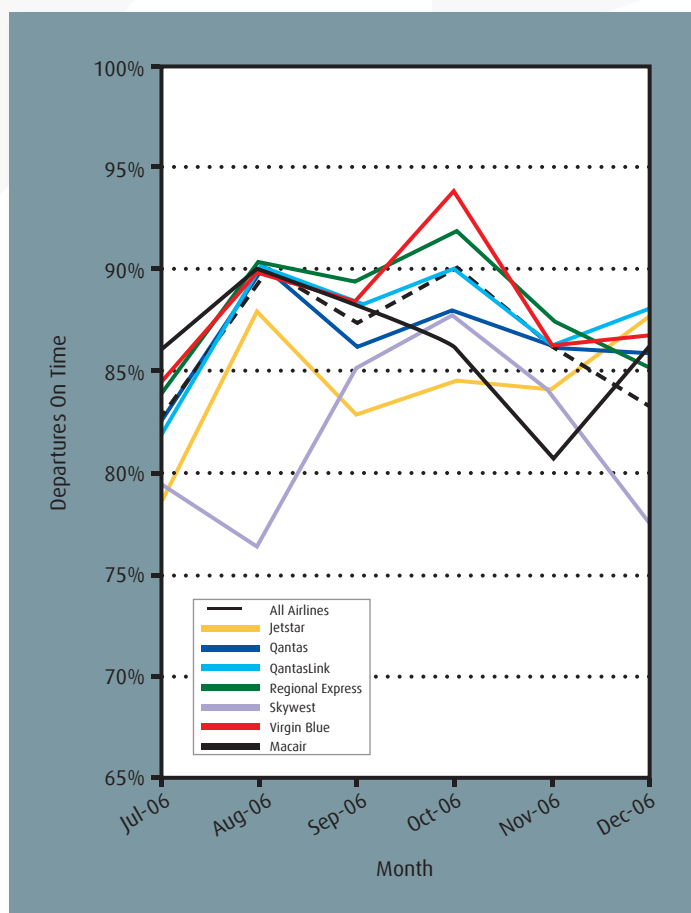
	% Increase over last FY	
	Rex Group	Rex
Salaries	19.4	15.1
Engineering & Maintenance	27.0	14.5
Flight & Port Operations (excl. fuel)	10.1	7.9
Fuel cost	30.0	23.7
Total cost	19.8	14.6
Total cost / ASK	5.5	3.5
Total cost (excl. fuel) / ASK	3.8	1.8

Retaining costs and improving productivity continues as the basis for being able to offer more and more affordable fares and the average fare across the network (exclusive of fuel levy) was \$119.30, a decrease of 3.1% from \$123.10 in comparison with the same period last FY.

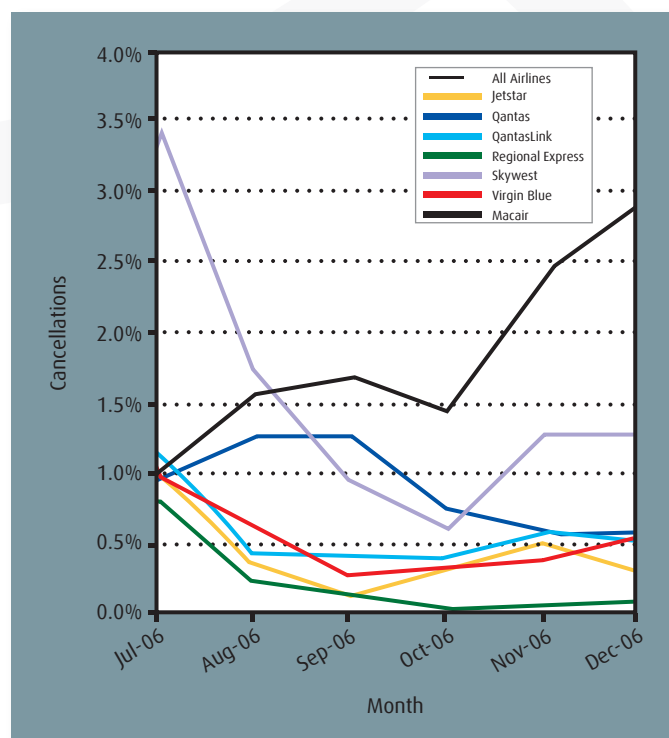
Operational and Service Standards

Rex's on time performance as measured by the Federal Department of Transport and Regional Services continues at industry leader levels. Its cancellation rate remains the lowest of all airlines.

On Time Departures



Cancellations



ROUNDING OFF OF AMOUNTS



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

AUDITOR'S INDEPENDENCE DECLARATION



The auditor's independence declaration is included on page 5 of the half-year report.

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

On behalf of the Directors

Geoffrey Breust

Managing Director, Corporate Affairs & Strategy
Sydney, 27 February 2007



Deloitte.

The Board of Directors
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27 February 2007

Dear Board Members

Regional Express Holdings Limited

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

As lead audit partner for the review of the financial statements of Regional Express Holdings Ltd for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

Craig Barling
Partner
Chartered Accountants

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006



	HALF YEAR ENDED		
	Note	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Revenue and income	3		
Passenger revenue		100,680	82,927
Freight revenue		486	411
Charter revenue		779	439
Other passenger services and amenities		495	283
Finance revenue		656	529
Other income		1,330	2,091
Total revenue and other income		104,426	86,680
Costs and expenses			
Flight and port operations costs (excluding fuel)		(22,429)	(20,374)
Fuel costs		(16,808)	(12,932)
Salaries & employee related costs	3(a)	(27,222)	(22,792)
Selling and marketing costs		(5,719)	(5,185)
Engineering and maintenance costs		(11,639)	(9,166)
Office and general administration costs		(2,338)	(2,048)
Finance costs		(24)	(174)
Depreciation & amortisation		(2,187)	(1,769)
Other expenses		(818)	-
Total costs and expenses		(89,184)	(74,440)
Share of profit from associate		821	952
Profit before income tax		16,063	13,192
Income tax expense		(4,598)	(3,883)
Net profit attributable to members of the parent entity		11,465	9,309
Earnings per share (cents per share)			
Basic earnings per share		9.98	10.00
Diluted earnings per share		9.87	10.00

Notes to the financial statements are included on pages 10 - 13.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006



CONSOLIDATED		
Note	31 Dec 2006 \$'000	30 Jun 2006 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	19,870	23,583
Trade and other receivables	9,776	8,550
Inventories	4,415	4,141
Total current assets	34,061	36,274
Non-current assets		
Investment in associate	13,894	14,299
Deferred tax assets	3,326	3,326
Property, plant and equipment		
Aircraft	32,358	28,516
Other property, plant and equipment	26,857	17,092
Total property, plant and equipment	59,215	45,608
Goodwill and intangible assets	800	793
Total non-current assets	77,235	64,026
TOTAL ASSETS	111,296	100,300
LIABILITIES		
Current liabilities		
Trade and other payables	(23,345)	(23,520)
Income tax payable	(5,573)	(1,942)
Provisions	(5,834)	(4,290)
Other liabilities	(244)	(283)
Total current liabilities	(34,996)	(30,035)
Non-current liabilities		
Provisions	(1,001)	(1,028)
Other liabilities	(358)	(441)
Total non-current liabilities	(1,359)	(1,469)
TOTAL LIABILITIES	(36,355)	(31,504)
NET ASSETS	74,941	68,796
EQUITY		
Issued capital	5 (69,546)	(69,546)
Reserved shares	2,195	2,810
Retained earnings	(7,288)	(1,573)
Equity settled employee benefits reserve	(302)	(487)
TOTAL EQUITY	(74,941)	(68,796)

Notes to the financial statements are included on pages 10 - 13.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006



	HALF YEAR ENDED		
	Note	31 Dec 2006 \$'000	31 Dec 2005 \$'000
Cash flows from operating activities			
Receipts from customers		111,663	93,780
Payments to suppliers and employees		(95,349)	(80,225)
Interest and other costs of finance paid		(24)	(100)
Income tax paid		(967)	-
Other		-	(18)
Net cash flows from operating activities		15,323	13,437
Cash flows from investing activities			
Interest received		656	455
Proceeds from sale of property, plant and equipment		22	1,229
Purchase of property, plant and equipment		(14,648)	(10,656)
Acquisition of associate		-	(12,097)
Acquisition of subsidiary, net of cash acquired		-	(2,333)
Dividends received		1,226	-
Payment for intangibles		(75)	-
Net cash flows used in investing activities		(12,819)	(23,402)
Cash flows from financing activities			
Dividends paid		(5,750)	-
Proceeds from issues of ordinary shares		351	35,000
Payments for the cost of capital raising		-	(2,849)
Repayment from borrowings – non related parties		-	(2,428)
Net cash flows from financing activities		(5,399)	29,723
Net (decrease)/increase in cash and cash equivalents		(2,895)	19,758
Effect of FX on cash balances		(818)	-
Cash and cash equivalents at the beginning of the period		23,583	4,543
Cash and cash equivalents at the end of the period		19,870	24,301

Notes to the financial statements are included on pages 10 - 13.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006



ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

CONSOLIDATED

	Issued capital	Retained earnings	Equity settled employee benefits reserve	Reserved shares	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 Jul 2005	36,577	(14,151)	-	-	22,426
Profit for the period	-	9,309	-	-	9,309
Share issue	35,000	-	-	-	35,000
Cost of capital raising (net of tax effect)	(2,023)	-	-	-	(2,023)
Recognition of share-based payment expense	-	-	295	-	295
Balance at 31 Dec 2005	69,554	(4,842)	295	-	65,007
Balance at 1 Jul 2006	69,546	1,573	487	(2,810)	68,796
Profit for the period	-	11,465	-	-	11,465
Issue of shares under share option plan	-	-	(18)	130	112
Payment of dividends	-	(5,750)	-	-	(5,750)
Transfer from equity settled employee benefits reserve	-	-	(485)	485	-
Recognition of share-based payment expense	-	-	318	-	318
Balance at 31 Dec 2006	69,546	7,288	302	(2,195)	74,941



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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below.

Adoption of new and revised Accounting Standards

In the current year, 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 its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that may have affected the amounts reported for the current or prior years:

- investments as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards');
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards'); and
- rights to cash reimbursement for expenditure required to settle a provision (AASB 2005-5 'Amendments to Australian Accounting Standards').

The adoption of these new and revised Standards and Interpretations has also resulted in a change to the Group's accounting policies in relation to business combinations involving entities under common control.

To the extent there is an impact from these changes in accounting policies, these are discussed in detail below.

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the Group's revenue recognition policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)



The changes introduced by AASB 2005-9 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e., with effect from 1 July 2005). There has been no impact on the Group as a result of the adoption of this amendment.

2. Segment information

The consolidated entity continues to operate in one segment being the provision of regular public transport within South East Australia.

3. Revenue and Expenses

Specific Items

Profit before income tax expense includes the following expenses whose disclosure is relevant in explaining the performance of the entity. The condensed consolidated income statement for the half-year ended 31 Dec 2005 has been re-categorised to be consistent and comparable with the reporting format used for the current financial year.

	HALF YEAR ENDED	
	31 Dec 2006 \$'000	31 Dec 2005 \$'000
(a) Salaries and employee related costs		
Wages and salaries (excluding bonus – profit share scheme)	(16,131)	(14,398)
Bonus – profit share scheme	(1,470)	(668)
Workers' compensation costs	(339)	(240)
Superannuation costs	(1,627)	(1,518)
Employee share option expense	(234)	(295)
Other employee related costs	(7,421)	(5,673)
	(27,222)	(22,792)



4. Dividends

	HALF YEAR ENDED			
	31 Dec 2006		31 Dec 2005	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend - 30 June 2006	5.0	5,750	-	-
Unrecognised amounts				
Fully paid ordinary shares				
Interim dividend	-	-	-	-

5. Issued Capital

	31 Dec 2006	30 Jun 2006
	\$'000	\$'000
Ordinary shares		
Issued and fully paid	69,546	69,546
Reserved shares	(2,195)	(2,810)

6. Issuances, repurchases and repayments of equity securities

Regional Express Holdings Limited issued 2,317,238 share options (2005: 0) over ordinary shares under its executive share option plan during the half-year reporting period. These share options had a fair value at grant date of \$0.1254 per share option for the 3 month options and \$0.1418 per share option for the 12 month options (2005: 0).

During the half-year reporting period, Regional Express Holdings Limited issued 150,000 ordinary shares for \$150,000 on exercise of 150,000 share options issued under its executive share option plan. As a result of this share issue, \$18,000 was transferred from the equity-settled employee benefits reserve and \$318,000 to reserved shares. There were no other movements in the ordinary shares capital or other issued share capital of the company in the current or prior half-year reporting period.

Regional Express Holdings Limited also issued 494,975 fully paid ordinary shares during the reporting period for no consideration, of which 396,694 shares were issued under the Rex Tax Exempt Employee Share Plan and 98,281 shares were issued under the Rex Tax Deferred Employee Share Plan.

7. Contingencies and commitments

Rex has entered into a long-term lease arrangement with Saab Aircraft Leasing to lease 25 advanced 34 seat Saab 340 plus aircraft to be delivered over the next 3 years beginning in 1st quarter 2007.



8. Subsequent events

On 2 January 2007, Rex through its wholly owned subsidiary, Rex Freight and Charter Pty Ltd (ACN 065 221 356), acquired a further 25% equity stake in Pel Air Pty Ltd (ACN 002 858 013) for AUD6.0 million. This brought its total equity interest in Pel Air to 75%.

Rex has been awarded the licence to operate services between Sydney and 2 ports, Grafton and Taree. The services are targeted to commence on 25 February 2007.

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

Geoffrey Breust

Managing Director, Corporate Affairs & Strategy
Sydney, 27 February 2007



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Independent Auditor's Review Report to the Members of Regional Express Holdings Ltd

We have reviewed the accompanying half-year financial report of Regional Express Holdings Ltd, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Regional Express Holdings Ltd's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Regional Express Holdings Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the Regional Express Holdings Ltd's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

Craig Barling

Partner

Chartered Accountants

Sydney, 27 February 2007