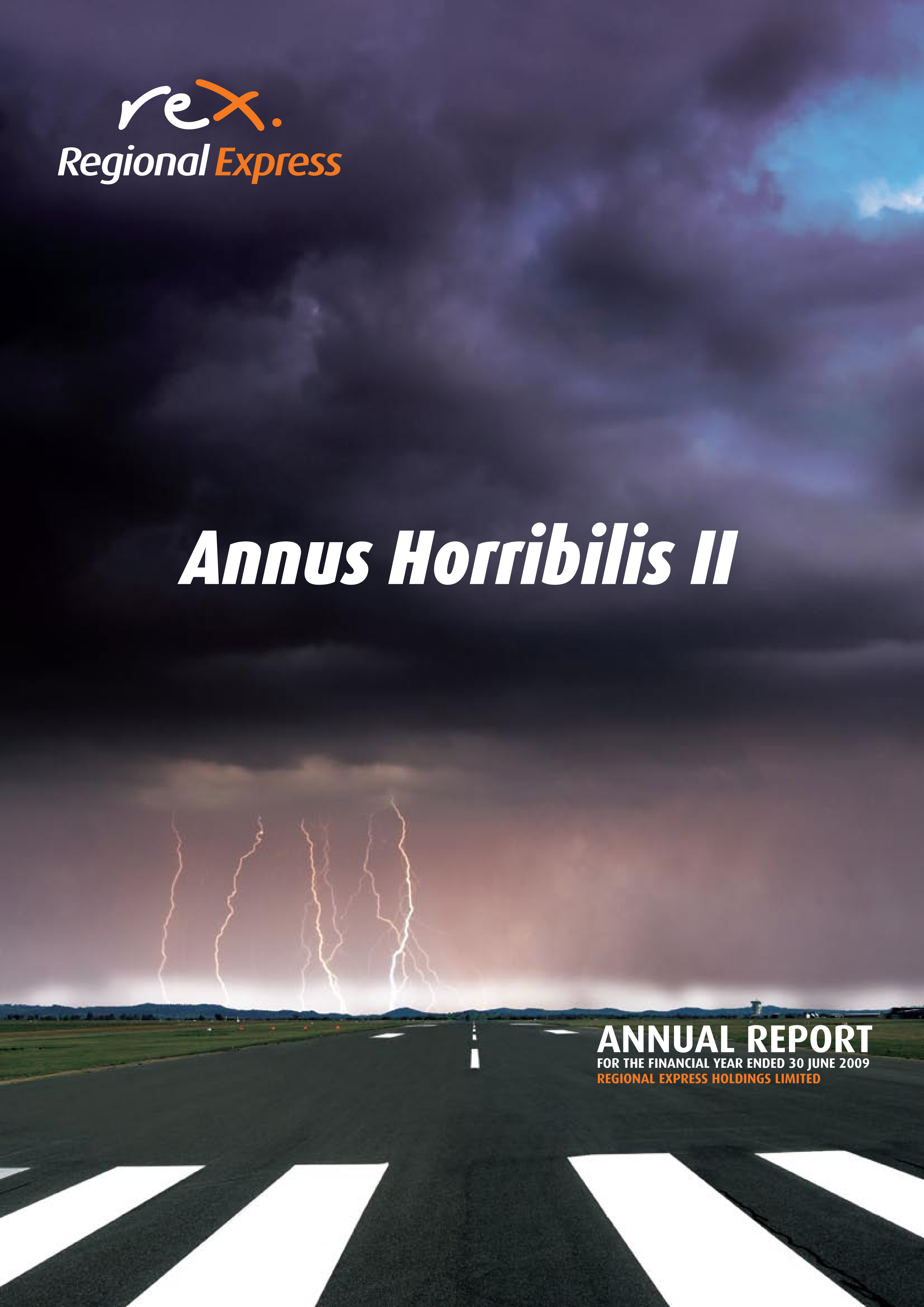


Regional Express

Annus Horribilis II

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

REGIONAL EXPRESS HOLDINGS LIMITED

REGIONAL EXPRESS VALUE STATEMENT

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

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.
  - Staff have the right to make mistakes if they act in the best interest of the customer and the company.
- We strive to be a learning organization where we actively seek to identify issues no matter how small in order to continually transform ourselves to a better organization:
  - 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.
  - Hard work is the cornerstone of our work ethic.
  - All staff share in the profits and so all staff are expected to contribute his/her fair share.
- We value open communication and will strive to create an environment that removes barriers to communication:
  - 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 see the need.
- 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.
  - While we can be single-minded in tackling issues and problems, 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 appeal to the Management Committee if special assistance or consideration is needed.

CUSTOMER

- We are committed to providing our customers with safe and reliable air transportation with heartfelt hospitality.
- As a regional carrier, 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 respond to all their comments and complaints.

CONTRACTORS

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

COMMUNITY

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

FOREWORD

LAST MAN STANDING

Ever since its birth in August 2002, Rex has never had any respite from the continuous onslaught of the most debilitating of external pressures – following the aftermath of 9/11 we had the steep fall of the AUD to almost half the value of the USD, the Iraq war, SARS, the most prolonged drought that regional Australia – Rex's main client base – has experienced in a century, three years of explosive rise of fuel prices, a worldwide shortage of pilots leading to a crippling pilot attrition rate in Rex that reached 50% in a year, the global meltdown of the financial systems and to cap off the year, the swine flu that saw our passenger numbers in Victoria dropping by 20%. Sadly, in Australia this has meant the demise of at least eight regional airlines during that period.

It is therefore most gratifying when we received news that Rex was ranked by the prestigious Aviation Week and Space Technology as the world's best regional airline ahead of the traditional regional giants in America like Republic, Pinnacle and Mesa. In an almost perverse manner, that this accolade, which comes on top of being awarded the best regional airline by CAPA for the second year in a row, should be made in the midst of the biggest economic turmoil in 50 years gives us our greatest pride.

Indeed we have much to be proud of. Although we faced the same loss of passengers as the other airlines, the 5% reduction in full-year earnings seems almost comforting compared to the massive reductions in profits or even losses that airlines in Australia and elsewhere are facing. Our balance sheet is as strong if not stronger than ever before with continuing absence of debt and a healthy cash balance. Instead of raising capital, we continue to invest into our future.

The economic tide will turn. It is not a question of if but of when. God willing and with the continued loyalty of our outstanding staff, to whom I express my gratitude, Rex will be there when that happens even if we are to be the last one standing.

Lim Kim Hai
Executive Chairman
26 August 2009

CORPORATE INFORMATION

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
James Davis
Russell Hodge
David Miller
Lee Thian Soo

COMPANY SECRETARIES

Irwin Tan
Benjamin Ng

REGISTERED OFFICE

81 – 83 Baxter Road
Mascot, NSW 2020
(Ph): 02 9023 3555
(Fax): 02 9023 3599

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

SOLICITORS

Baker & McKenzie
Level 27, AMP Centre
50 Bridge Street
Sydney, NSW 2000

BANKERS

Westpac Banking Corporation

AUDITORS

Deloitte Touche Tohmatsu

CONTENTS

DIRECTORS' REPORT

01. 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 2009.

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

LIM KIM HAI

Executive Chairman

Appointed 27 June 2003 and re-appointed 16 November 2006

Mr. Lim started his career as a Defence Engineer specializing in underwater warfare. After 10 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 as well as Chairman of WooWorld Pte Ltd, a supplier of mobile games and content to telecommunication companies in Japan and South East Asia.

Mr. Lim obtained his Masters in Electronics Engineering from the prestigious 'Grande Ecoles' engineering colleges in France where he was sent on 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 has also a Masters of Business Administration from the National University of Singapore.

Mr Lim was one of the founding shareholders and directors of Rex.

THE HON. JOHN SHARP

Deputy Chairman and Independent Director

Appointed 14 April 2005

The Honourable John Sharp, originally from a farming and business background, is an aviator having been a licensed 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). Mr. Sharp retired from the House of Representatives in 1998 and established his own high level aviation and transport consulting company, Thenford Consulting. Mr. Sharp is a former Chairman of the Aviation Safety Foundation of Australia, a director of Australian Aerospace, a wholly-owned subsidiary of European Aeronautics Defence and Space (EADS) representing Airbus (the aircraft manufacturer of ATR, CASA, Eurocopter and Astrium satellites) and a director of Skytraders, an air freight and aerial work operation providing services for Australia's Antarctic Division. He is Chairman of Parsons Brinkerhoff Advisory Board. This is an engineering and design company operating throughout Australia. He is also Chairman of Power and Data Corporation Pty Limited and Chairman of Pel-Air Aviation Pty Limited. Mr. Sharp is a Trustee and Board Member of John McKeown House, Honorary Federal Treasurer, National Party of Australia and recently retired Chairman of Winifred West Schools Foundation. He is a member of the University of Wollongong Vice Chancellor's Advisory Board. Recently he was appointed a director of the Flight Safety Foundation following his receipt of the Foundations Presidential Citation for Aviation Safety; the first Australian to receive this award. Mr. Sharp's extensive experience of 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.

JAMES DAVIS

Managing Director

Appointed 27 May 2008

Mr. Davis is a qualified Aeronautical Engineer and worked for four years with the Civil Aviation Safety Authority before obtaining his Air Transport Pilot Licence. Since then he has flown professionally with airlines in Australia and overseas for 26 years accumulating some 12,500 flying hours. Upon joining Hazelton Airlines in 1999, he was appointed Flight Operations and Standards Manager and Deputy Chief Pilot for the airline. In 2001, Mr. Davis was promoted to Chief Pilot of Hazelton, and held that position when Hazelton was merged into and began trading as part of Rex in 2002. Mr. Davis became Executive General Manager Operations in 2003, and subsequently Managing Director Operations. Mr. Davis became Chief of Staff of the Chairman's Office in 2007 and was appointed Managing Director in May 2008. Mr. Davis is Chairman of the Australian Airline Pilot Academy Pty Ltd. and a Director of Rex Group companies Pel-Air Aviation Pty Ltd and Air Link Pty Ltd. He also sits on the Board of the Regional Aviation Association of Australia.

RUSSELL HODGE

Independent Director

Appointed 31 March 2008

Mr. Hodge practiced as a solicitor from 1973 to 1997 and specialised in aviation and commercial law. He retired as senior partner of Owen Hodge & Son Solicitors in 1992. Mr. Hodge, a former CEO of Pel-Air, was an executive director of Pel-Air from November 1994 to March 2008. He currently is a non-executive director of Pel-Air. He was previously a director of the Regional Aviation Association of Australia (RAAA). He has over 30 years experience in aviation regulation, compliance, aircraft financing and the commercial operations of aircraft and airlines.

DAVID MILLER

Executive Director, Rex
Chief Executive Officer, Air Link Pty Ltd

Appointed 26 February 2007

Mr. Miller commenced flying commercially in 1985 and bought a 50% share of Air Link which was at that time a one-aircraft charter business. Between 1985 and 1991 Mr. Miller purchased all the shares of Air Link Pty Ltd and commenced regular passenger transport services throughout Western N.S.W. Air Link had commercial ties with Hazelton Airlines right through until the Ansett collapse in 2001. Mr. Miller has served as a director of the Regional Aviation Association of Australia since 1992 along with industry leaders Max Hazelton and Don Kendell and held the position of chairman for four years and vice-chairman for numerous terms of this important industry body. Air Link continues to operate under Mr. Miller's management.

LEE THIAN SOO

Non-Executive Director

Appointed 27 June 2003 and
re-appointed 16 November 2006

Mr. Lee has extensive international business experience and currently is the Chairman and owner of several businesses with subsidiaries in South East Asia. These include an aviation components and service company, specialising in military aircraft, as well as a medical equipment supply company, involved in the distribution and marketing of medical equipment and drugs. He is also on the board of a biomedical company and a mobile/internet gaming company.

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

02. SENIOR MANAGEMENT EXECUTIVES

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

JAMES DAVIS

Managing Director

Jim is a member of the Rex Management Committee. A description of his qualifications, skills and experience is included on page 6.

WARRICK LODGE

General Manager, Network Strategy and Sales

Warrick manages a team responsible for scheduling, pricing, revenue management, sales and commercial analysis. His duties include the monitoring of network performance and analysis of both existing and new market opportunities. Warrick has more than 17 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. Warrick has been with Rex since its inception in 2002 and is also a member of the Rex Management Committee.

CHRIS HINE

General Manager, Flight Operations and Chief Pilot

Chris has over 19 years of aviation experience including 14 years as a First Officer and Captain of Metroliner and SAAB 340 aircraft. He is a well-accomplished training and checking pilot and has been Chief Pilot of Rex since the Company's inception in August 2002. Prior to Rex he worked in the same fields in Kendell Airlines from 1995. He currently oversees all facets of the Company's flight operations and all operational matters affecting the safety of flight operations. Chris also has experience as a lecturer in Cockpit Systems Management for the Bachelor of Applied Science (Civil Aviation) degree at the University of South Australia. Chris is a member of the Rex Management Committee and a Director of the Australian Airline Pilot Academy Pty Ltd.

IRWIN TAN

General Manager, Corporate Services

Irwin's background was originally in genetic research after graduating with first class honours in biotechnology from the University of New South Wales in Sydney. Irwin 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 in South West Pacific in 2003. Irwin joined Rex in July 2005 and was appointed the Company Secretary on 7 September 2005. Irwin is also a member of the Rex Management Committee.

MAYOORAN THANABALASINGHAM

General Manager, Information Technology and Communications

Mayooran completed his Associate Diploma of Electrical Engineering / Computer Engineering in 2001. He commenced with Rex in April 2004 and leads a team of IT professionals responsible for ensuring day-to-day operations of the airline. With over eight years experience and an extensive background in information technology, Mayooran has managed a range of IT projects and initiatives for Rex including the Internet Booking Engine, the Amend Booking Engine and Web check-in. Mayooran is a member of the Rex Management Committee.

GARRY FILMER

General Manager, Engineering

Garry is a Licensed Aircraft Maintenance Engineer with 30 years experience and has been involved in Regional Airline and Maintenance Repair Organization management over the last 15 years, holding positions such as Engineering Manager and General Manager Engineering. Garry joined Rex in 2007 as Engineering Advisor in the Chairman's Office and as a member of the Engineering Management Committee, is involved in the coordination of projects such as the management of Ground Support Equipment, review of Engineering resources and the recruitment of staff. Garry became General Manager, Engineering in June 2008 and is a member of the Rex Management Committee.

DALE HALL

Maintenance Control Manager

Dale has 27 years of aviation engineering experience. He began his career as an apprentice in the Royal Australian Air Force where he served for nine years. He then spent the next 17 years in the industry working in turbine engine and component overhaul facilities, on and offshore gas and petroleum helicopter industries and maintaining aero-medical charter aircraft. Dale joined Kendell Airlines in 1999 as a Licensed Aircraft Maintenance Engineer and held the position of a Technical Support Engineer with both Kendell and Rex. In late 2006 Dale was appointed as a Maintenance Controller for Rex and took up the position of Maintenance Control Manager in 2007. He is a member of the Rex Management Committee.

03. DIRECTORSHIPS OF OTHER LISTED COMPANIES

During the year under review, no directors appointed as at 30 June 2009 served as a director with any other company listed on the ASX.

04. 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	18,480,630	5,755,513	-
The Hon. John Sharp	150,000	250,000	-
James Davis	192,431	-	-
Russell Hodge	16,000	1,108,000	-
David Miller	90,460	-	-
Lee Thian Soo	7,722,181	3,727,181	-

05. DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, five Board meetings, two Remuneration and Nomination Committee meetings, two Audit and Corporate Governance Committee meetings and four Safety and Risk Management Committee meetings were held. Note: the Managing Director chairs the Rex Safety Management Group which meets monthly and the Chairman of the Safety and Risk Management Committee attends those meetings.

Directors	Board	Remuneration and Nomination Committee	Audit & Corporate Governance Committee	Safety & Risk Management Committee
No. of meetings held:	5	2	2	4
Attendance:				
Lim Kim Hai	5 (Chair)	-	-	-
The Hon. John Sharp	5	2 (Chair)	2	-
James Davis	5	2	-	1
Russell Hodge	5	-	-	4 (Chair)
David Miller	5	-	-	3
Lee Thian Soo	4	-	2 (Chair)	-

06. 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 16 to 18.

07. SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

No options were granted or exercised in FY 2009.

08. FORMER PARTNERS OF THE AUDIT FIRM

No directors or officers in Rex or the Group have been a partner or director of Deloitte Touche Tohmatsu, the Group's auditor.

09. COMPANY SECRETARIES

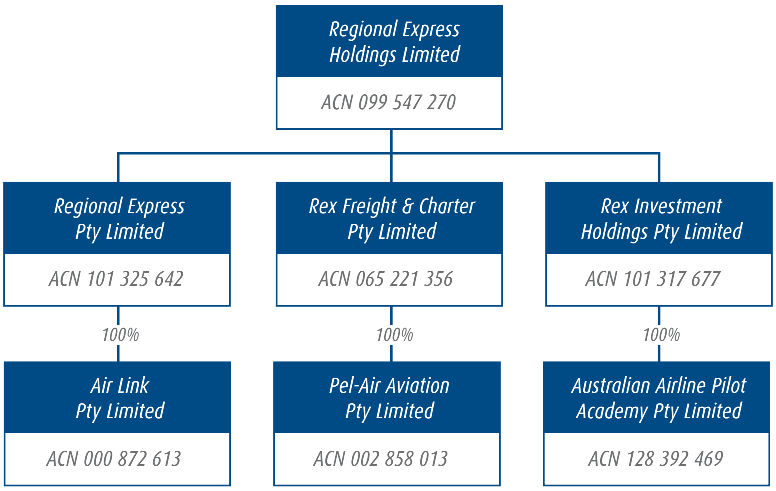
Mr Irwin Tan holds the position of Company Secretary of Rex. A description of his qualifications, skills and experience is included on page 8.

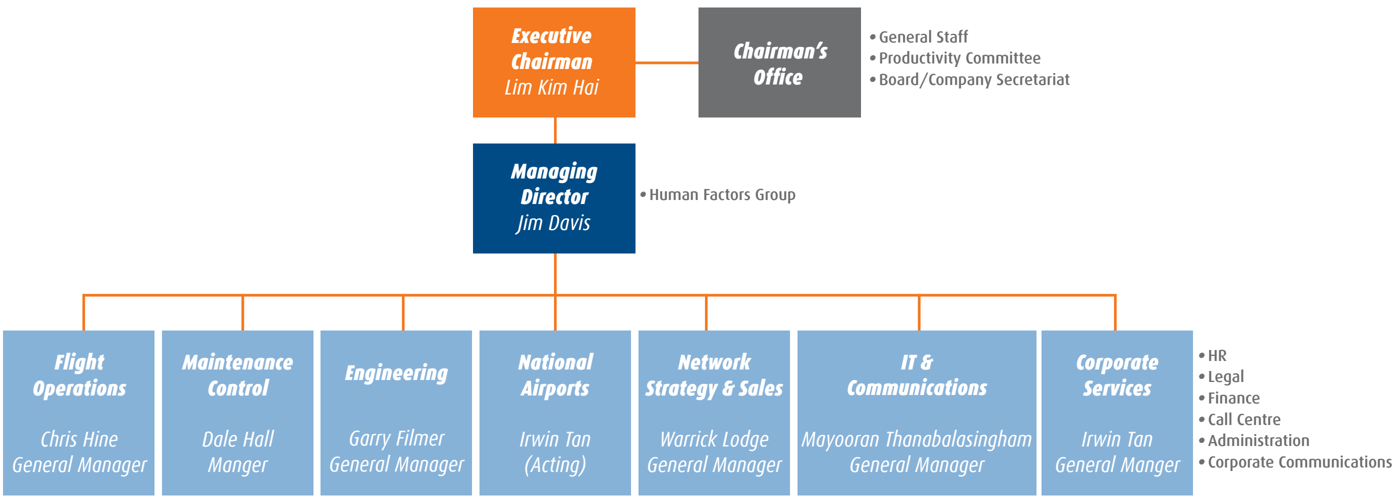
Mr Benjamin Ng, having completed his Bachelor of Science followed by an MBA in the UK, started his career with the German multi-national chemical company, Henkel in Malaysia. In his eight years with Henkel/Cognis, he held various positions ranging from sales, marketing, business analysis and cost controlling.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

10. PRINCIPAL ACTIVITIES

The Group's principal activity during the financial year was air transportation of passengers and freight.

11. ORGANISATION & GROUP STRUCTURES





12. REVIEW OF OPERATIONS

The first half of FY 2009 was shaped by record fuel prices, easing pilot attrition and harsh commercial operating conditions that were driven by the global financial crisis.

On the back of 50% pilot attrition during the previous FY 2008, a significant turnaround was seen in FY 2009 with average pilot attrition rates falling to 13% due to a contraction of the global aviation industry. In 2H FY 2009 the pilot attrition fell to below 6% and when combined with the recruitment of 28 Rex pilot cadets from the Rex subsidiary Australian Airline Pilot Academy (AAPA), it enabled the Rex pilot establishment to reach full strength during 2H FY 2009.

Throughout the prior FY 2008 the record high pilot attrition steered frequency reductions and some service suspensions. These reductions were largely kept in place in FY 2009 due to the harsh economic conditions that impacted passenger demand for regional travel. The prior years capacity reductions greatly assisted with the management of network capacity with total Available Seat Kilometres (ASK's) falling by 9% in FY 2009 to counter the reduced demand.

In line with its primary philosophy, the Group continued to build relationships with the regional communities throughout the network and successfully renewed and formed new partnerships with local council airport operators to jointly invest in improvements to the air services to those communities. In the year under review, a new partnership agreement was forged with the Dubbo City Council. Partnership agreements were renewed with the regional councils that own and operate the following regional airports: Albury, Broken Hill, Bathurst, Ballina, Burnie, Ceduna, Coober Pedy, Grafton, Griffith, Lismore, Moruya, Narrandera, Parkes, Port Lincoln, Taree and Wagga Wagga. There were no partnership agreements with the regional councils that own and operate the following regional airports: Kangaroo Island, King Island, Mount Gambier, Merimbula, Mildura, Orange and Whyalla.

ROUTE NETWORK DEVELOPMENTS

Overall FY 2009 saw a drop in passenger numbers and an associated and necessary reduction in network capacity.

During 1H FY 2009, Rex exited the Sydney to Mildura route due to the commencement of Virgin Blue on the Melbourne to Mildura route and subsequent over supply of capacity in the total market place. In partnership with the Griffith City Council, Rex redeployed the Sydney to Mildura resources to the Sydney to Griffith route and this led to the doubling of peak time business frequency between Sydney and Griffith.

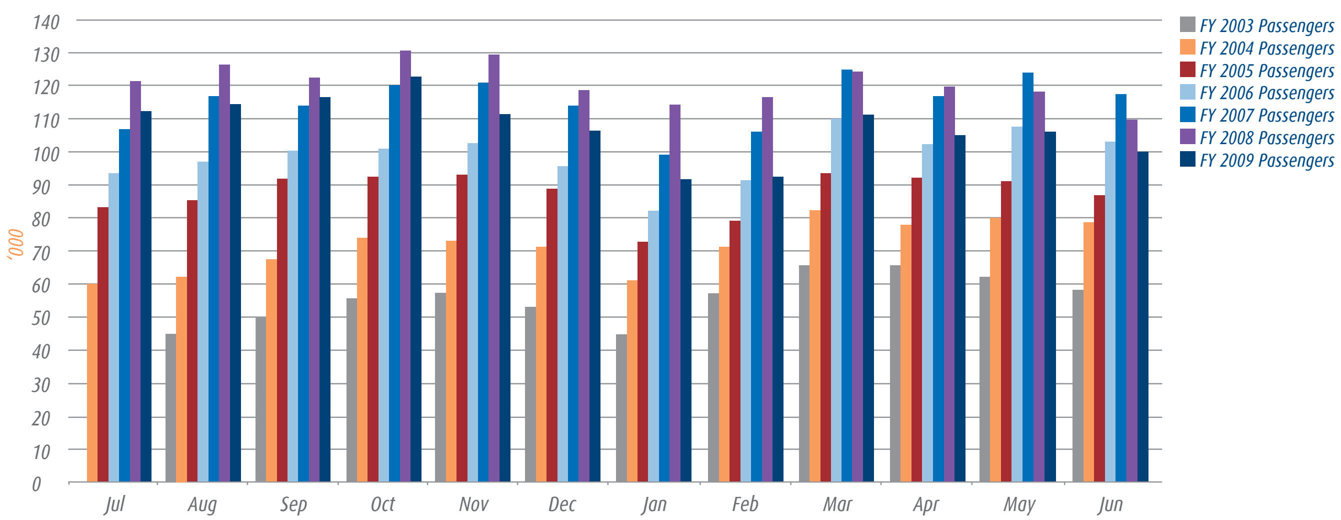
In December 2008, Air Link terminated the piston engine RPT operations to Bourke, Cobar, Coonamble, Lightning Ridge, Mudgee and Walgett, with the piston engine aircraft being retired from providing regular air services. In addition, the 19 seat Air Link Beech 1900D services were transitioned to the 34 seat Rex Saab 340 services on the Sydney to Bathurst and Dubbo routes, with the Beech 1900D aircraft focusing on charter work in 2H FY 2009.

There were no changes to the competitive market position of the airline over the course of the year.

The tables below set out the evolution of monthly passenger carriage and monthly passenger revenue over the last four financial years.

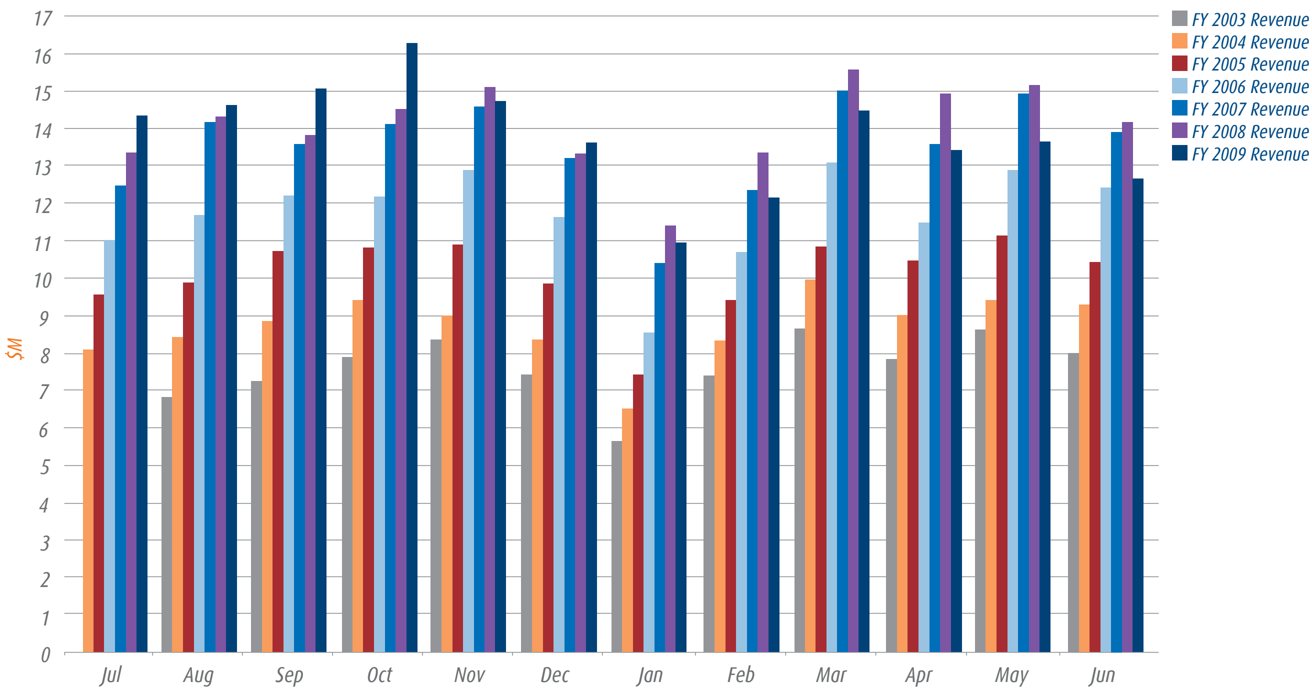
Monthly Passenger Chart

Total Passengers



Monthly Passenger Revenue

*Passenger Revenue**



**Revenue only includes passenger, fuel levy & contra revenue. Other revenue such as head tax, unearned revenue, freight, charter, excess baggage, memberships etc. are not included.*

FLEET CHANGES

Over the past financial year the following changes to the Rex fleet occurred:

- Added 6 SAAB 340B Plus aircraft
- Sold 3 SAAB 340A aircraft offshore
- Transferred 2 SAAB 340B Plus aircraft to Pel-Air for Osbourne Mine Fly-in/Fly-out contract in Townsville

IMPROVING PRODUCTIVITY

The Group's **Productivity Committee** continued its efforts throughout the year with the launching of its fifth consecutive productivity drive. The committee ended the year with a total realised savings of $4.1M.

The Group's Cost per Available Seat Kilometre (ASK) increased 10.5% from 19.0 cents in FY 2008 to 21.0 cents in FY 2009. This increase is largely due to the 10.2% reduction of ASKs as well as normal 3% CPI adjustments of salaries and other costs.

The realised productivity savings enabled the Group to maintain strong earnings in spite of a drastic drop in passenger numbers and the continued rise in fuel prices. It also enabled the Group to keep air fares at a competitive and affordable level, particularly in the context of the record fuel prices that were encountered during FY 2009. As a result, the Group's average fare in FY 2009 remained 6% below that of FY 2003 (inclusive of fuel levy, exclusive of airport taxes and GST) which was Rex's first year of operations.

OPERATIONAL AND SERVICE STANDARDS

Over the year, Rex achieved the second lowest cancellation rates of all Australian airlines as measured by the Bureau of Infrastructure, Transport and Regional Economics. This was a direct result of the improving situation for the pilot numbers in FY 2009 and by Q3 of FY 2009 Rex has managed to bring down its cancellations rates to 0.2% - the lowest of all Australian airlines and a level consistent with its past trends prior to the acute pilot shortages of FY 2008 which saw the annual cancellation rate skyrocket to 0.9%.

For the second year running, the Centre for Asia Pacific Aviation (CAPA) has named Rex as "Regional Airline of the Year" for 2008. This award recognises Aviation Excellence as demonstrated by Rex's notable achievements in the aviation industry.

COMMUNITY INVOLVEMENT

The year 2009 started off on a tragic note as Australia's worst bushfire disaster hit the state of Victoria.

Rex set aside a Bushfire Assistance fund of $200,000 in the form of air fares and other means, where charity groups and other organizations involved in relief efforts are able apply for air fare assistance.

In addition, collection on board all flights was organised, as well as collection boxes being set up across the network offices for employees to contribute. A dollar for dollar match was made by Rex against the monies collected, resulting in a total contribution of $145,000.

In addition to this major involvement, Rex has contributed almost $350,000 to sponsoring and participating in a myriad of community and charitable projects across the network.

13. CHANGES IN STATE OF AFFAIRS

In April the Australian Airline Pilot Academy (AAPA) moved from Mangalore in Victoria to Wagga Wagga in NSW. This was accomplished in partnership with the Wagga Wagga City Council and the NSW Department of State Development. At the end of FY 2009, 65 cadets had been enrolled, with 35 graduating and 19 still undergoing flying training.

A new hangar was acquired at Wagga Wagga and modified for the Academy's operations. Land was also acquired adjacent to the airport and in June Development Approval was given for the new AAPA training complex to be constructed.

With the severe downturn in freight volumes Pel-Air's overnight freight business was adversely affected and the decision was made to retire the 10 aircraft in the Metro III freighter fleet and the company's sole Embraer 120 aircraft. Freight operations continued at a reduced level and the period finished with three dedicated SAAB 340A freighters in service. The year also saw the end of the country's longest running continuous freight service with the Westwind jet Darwin to Melbourne service ending after 30 years.

Pel-Air's resources were deployed into other areas and a significant mining contract was awarded in Queensland with the company providing a Fly-in/Fly-out service for Barrick Gold using two SAAB aircraft based in Townsville.

In another significant development Pel-Air was selected as the preferred tenderer for the Ambulance Victoria contract based in Melbourne and due to commence in 2011.

Pel-Air also established a base in Cairns for medivac operations in partnership with NRMA Careflight extending its Australia-wide medivac capability.

As part of the regular and ongoing review of the Rex network, Air Link's regular passenger transport services ceased in December 2008. Routes affected are those linking Dubbo to Bourke, Cobar, Coonamble, Lightning Ridge and Walgett as well as the Mudgee to Sydney run. Since then, Air Link has continued to operate and develop its charter service in addition to growing its third party aircraft maintenance business.

14. SUBSEQUENT EVENTS

Rex signalled its intention to resume RPT services in Queensland with the announcement of flights commencing between Townsville and Mackay on 1 October 2009. This was made easier by the base already established in Townsville for the Osborne mine contract for Barrick Gold.

Pel-Air Aviation was awarded the Jacinth-Ambrosia Project Fly-in/Fly-out charter contract on behalf of Iluka Resources, using Metro 23 aircraft based in Adelaide. The Contract commenced on 5 August 2009.

It was announced in July that Rex is ranked the world's top-performing regional carrier in a global survey of airlines by respected industry magazine *Aviation Week & Space Technology*. Rex beat American regional giants like Republic, Mesa and Pinnacle for this award.

AAPA has also commenced development work on its new $12m Academy cum campus on a 2.4 hectare land along Don Kendell drive at Wagga Wagga.

15. FUTURE DEVELOPMENTS

Rex will receive, over the course of the new FY, the last eight of the 25 SAAB 340B Plus ordered as part of its upgrading programme. It also intends to dispose of four of the older SAAB models. Together with its full complement of pilot numbers, the additional aircraft at the end of the new FY would allow Rex to take advantage of any improvement in economic conditions should it occur in the later half of the new FY.

Expansion is more likely to be in Pel-Air with opportunities in the mining, medivac and defence sectors being explored over the next 12 months. Furthermore it is a strong contender in several tenders that have been called or about to be called:

- Provision of Fixed Wing Patient Transport Services for the Ambulance Victoria (Pel-Air awarded the preferred tenderer status);
- Provision of Fixed Wing Patient Transport Services for the Ambulance Service of NSW;
- Provision of Fixed Wing Aero-Medical Services for Queensland Health;
- Provision of Interstate Aero Medical Evacuation Services Panel for the Department of Health and Families (Northern Territory Government);
- Air Transport Standing Offer for Australian Defence Force and the Commonwealth;
- JP 66 Phase 1 Air Defence Target Systems;
- Provision of Interim Flight Screening and Basic Flying Training Services for the Australia Defence Force;
- Queensland Transport Subsidised Regional Air Services;
- Several mining Fly-in/Fly-out tenders.

AAPA will commission its new pilot training facility in Q3 of the FY. It is also anticipated that RTO and CRICOS certification will be attained and these three factors will enable it to consider training opportunities with overseas airlines. Accreditation with the Chinese civil aviation authorities is currently being pursued and expected to be obtained in Q3 of the FY which would then open the door to training of Chinese pilot cadets.

16. ENVIRONMENTAL REGULATIONS

Aviation is an industry whose environmental impact is limited to several key areas, but the impact on those areas is significant. The primary area of concern for Rex relates to the impact of climate change and energy efficiency.

Rex has been an active participant in programs aimed at maximising energy efficiency and reducing greenhouse gas emissions in accordance with the Energy Efficient Opportunities Act 2006 (EEO) and the National Greenhouse Energy Reporting Act 2007 (NGER).

Rex registered for the EEO program on 11 November 2007 and has since embarked on various initiatives to reduce energy consumption, and in turn reducing emissions. Rex also registered for the NGER program on 12 January 2009 and was accepted on 25 February 2009.

The first public report on the initiatives undertaken by Rex in response to the Energy efficient opportunities program is available on the Rex website at www.rex.com.au.

The first reporting to the NGER is in October 2009 and second year reporting to the EEO program is in December 2009.

17. DIVIDENDS

In respect of the financial year ended 30 June 2008, as detailed in the directors' report for that financial year, a final fully franked dividend of 6.6 cents per share was paid to the holders of fully paid ordinary shares on 28 November 2008.

In respect of the financial year ended 30 June 2009, the directors have recommended the prudent approach of postponing the payment of dividends as the outlook remains uncertain. The Board recommends a reassessment of the situation at its meeting of February 2010 and the payment of an interim dividend if the financial health of the company permits it.

18. INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary (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 financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

19. REMUNERATION REPORT

REMUNERATION AND NOMINATION COMMITTEE

Rex's board of directors has established a Remuneration and Nomination 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 its 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

Rex has established a profit share incentive scheme which has run for three financial years, and will continue to run for another three financial years. Under this scheme, eligible employees will be awarded a share of Rex's profit before tax (PBT) (excluding contributions from subsidiaries and associates) for the financial year immediately preceding the award. The profit share is allocated on an equal share basis. Permanent part time employees will receive an amount proportional to their employment hours. The Group has paid out $1.6M (inclusive of superannuation) under this scheme in FY 2009 and has accrued $1.6M (inclusive of superannuation) as profit share bonus for distribution to all eligible staff in FY 2010 for services rendered in FY 2009.

SHARE GIFT PLAN

Rex has established the share plan for its executive directors and eligible employees. The share gift plan which has run from FY 2007 to FY 2009 was offered to all the EBA groups and adopted by all the groups except the flight attendants. The board has also decided that this plan will be offered to all non-EBA employees who are not the subject of an adverse recommendation by the Remuneration and Nomination Committee. This plan is not based on any performance measures as it 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.

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 for three financial years, starting from FY 2007. Such shares will be issued to eligible employees on the relevant award dates. The flight attendants have voted on an additional 0.45% increase of fixed salary in lieu of the 2% share plan. The first distribution of this plan took place on 4 December 2006.

DIRECTOR AND SENIOR MANAGEMENT DETAILS

The following persons acted as directors of the company during or since the end of the financial year:

- Lim Kim Hai (Chairman)
- The Hon. John Sharp (Deputy Chairman)
- James Davis
- Russell Hodge
- David Miller
- Lee Thian Soo

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 of the whole of the financial year and since the end of the financial year:

- James Davis (Managing Director)
- Warrick Lodge (General Manager, Network Strategy & Sales)
- Chris Hine (General Manager, Flight Operations and Chief Pilot)
- Irwin Tan (General Manager, Corporate Services / Company Secretary)
- Mayooran Thanabalasingham (General Manager, Information Technology and Communications)
- Garry Filmer (General Manager, Engineering)
- Dale Hall (Maintenance Control Manager)

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The directors and the five highest remunerated executives received the following amounts as compensation for their services as directors and executives of the Company and/or the Group during the year:

		Short-term benefits			Post employment benefits	Long-term benefits	Share-based payment			
Directors/Executives	**FY**	**Cash salary & fees $**	**Cash profit sharing & other bonuses $**	**Non-monetary $**	**Pension & super-annuation $**	**Annual leave & long service leave $**	**Options & rights $**	**Share gift $**	**Total $**	**% Consisting of options %**
EXECUTIVE DIRECTORS										
LIM KIM HAI****	2009	42,308	-	-	-	-	-	-	42,308	-
Executive Chairman	2008	100,000	-	-	-	-	-	-	100,000	-
JAMES DAVIS	2009	185,000	-	-	13,951	-	-	3,200	202,151	-
Managing Director	2008	149,703	33,672	-	13,157	-	-	47,500	244,032	-
DAVID MILLER	2009	149,385	2,294	-	13,290	-	-	2,500	163,469	-
Executive Director, CEO of Air Link Pty Ltd	2008	201,155	12,888	-	13,614	-	-	45,833	273,490	-
GEOFFREY BREUST*	2009	-	-	-	-	-	-	-	-	-
Managing Director	2008	62,695	4,061	-	8,879	-	-	384	76,019	-
NON-EXECUTIVE DIRECTORS										
THE HON. JOHN SHARP	2009	90,000	-	-	8,100	-	-	-	98,100	-
Deputy Chairman	2008	90,000	-	-	8,100	-	-	-	98,100	-
RUSSELL HODGE	2009	25,000	-	-	2,250	-	-	-	27,250	-
Executor Director, CEO of Pel-Air Pty Ltd	2008	25,000	-	-	2,250	-	-	-	27,250	-
LEE THIAN SOO	2009	25,000	-	-	-	-	-	-	25,000	-
Non-Executive Director	2008	25,000	-	-	-	-	-	-	25,000	-
ROBERT WINNEL**	2009	-	-	-	-	-	-	-	-	-
Independent Director	2008	20,961	-	-	1,887	-	-	-	22,848	-
STEPHEN JERMYN***	2009	-	-	-	-	-	-	-	-	-
Independent Director	2008	24,038	-	-	2,164	-	-	-	26,202	-
SENIOR MANAGEMENT EXECUTIVES										
CHRIS HINE	2009	160,000	-	-	13,518	-	-	3,000	176,518	-
GM – Flight Operations & Chief Pilot	2008	141,827	37,177	-	12,898	-	-	47,747	239,649	-
WARRICK LODGE	2009	129,808	-	-	12,150	5,192	-	2,700	149,850	-
GM – Network Strategy & Sales	2008	114,810	32,609	-	11,711	6,994	-	52,914	219,238	-
IRWIN TAN	2009	130,000	-	-	11,700	-	-	2,500	144,200	-
GM – Corporate Services	2008	116,956	29,109	-	11,379	-	-	50,706	208,153	-
DALE HALL	2009	113,491	22,782	-	12,264	-	-	2,216	150,752	-
Manager-Maintenance Control	2008	113,522	4,284	-	10,603	-	-	33,286	161,695	-
GARRY FILMER	2009	110,000	-	-	9,900	-	-	2,200	122,100	-
GM – Engineering	2008	100,559	1,119	-	9,151	-	-	7,621	118,450	-
MAYOORAN THANABALASINGHAM	2009	125,000	-	-	11,249	-	-	2,500	138,749	-
GM – ITC	2008	96,372	22,633	-	9,919	-	-	41,700	170,624	-
BRETT DAVIDSON (i)	2009	-	-	-	-	-	-	-	-	-
Manager - Maintenance Control	2008	131,233	4,284	-	7,118	-	-	33,486	176,111	-
TOTAL	**2009**	**1,280,992**	**25,076**	**-**	**108,372**	**5,192**	**-**	**20,816**	**1,440,448**	**-**
	2008	**1,513,921**	**181,836**	**-**	**122,830**	**6,994**	**-**	**361,180**	**2,186,661**	**-**

VALUE OF OPTIONS ISSUED TO DIRECTORS AND EXECUTIVES

No options lapsed, were granted or were exercised during the FY 2009.

** Geoff Breust ceased employment with Rex on 5 December 2007.*
*** Robert Winnel ceased being a Director of Rex on 22 April 2008.*
**** Stephen Jermyn ceased being a Director of Rex on 6 June 2008.*
***** Lim Kim Hai undertook to forfeit his Director's fee in November 2008 in response to the global economic crisis.*

(i) Brett Davidson ceased employment on 22 February 2008.

19. REMUNERATION REPORT (CONTINUED)

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The only proportion of remuneration that was dependent on the satisfaction of a performance condition was the Company's profit share bonus. Of the directors, only Jim Davis and David Miller were entitled to the Company's profit share bonus. Both Jim Davis and David Miller volunteered to forego their profit share bonus which would have been paid in FY 2008. The senior management executives were also entitled to the profit share bonus but chose to forego this bonus.

Senior management executives also received a share gift as set out in Note 28 of the financial statement.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005 $'000
Revenue	250.963	260,513	225,193	174,259	144,658
Net profit before tax	30,789	32,478	33,072	21,984	9,171
Net profit after tax	22,982	24,343	23,627	15,724	6,527

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year*	1.05	$2.74	$1.00	N/A	N/A
Share price at end of year*	0.80	$1.06	$2.75	$0.995	N/A
Interim dividend		-	-	-	-
Final dividend[1,2]		6.6cps	6.6cps	5.0cps	-
Basic earnings per share	20.4	20.3cps	20.5cps	15.4cps	11.1cps
Diluted earnings per share	20.4	20.3cps	20.4cps	15.4cps	11.1cps

** The Company commenced trading on the Australian Stock Exchange on 9 November 2005.*
[1] Franked to 9.43cps at 30% corporate income tax rate for 2008 and 2007; unfranked for 2006.
[2] Declared after the balance date and not reflected in the financial statements.

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.

20. 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.

22. 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 30 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 30 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 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 financial report are rounded off to the nearest thousand dollars, 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

Jim Davis

James Davis
Managing Director
Sydney, 26 August 2009

23. AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Regional Express Holdings Limited
81 – 83 Baxter Road
MASCOT NSW 2000

26 August 2009

Dear Board Members

Regional Express Holdings Limited

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

As lead audit partner for the audit of the financial statements of Regional Express Holdings Limited for the financial year ended 30 June 2009, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill
Partner
Chartered Accountant

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FINANCIAL REPORT

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Continuing operations					
Passenger revenue		204,259	211,306	200,018	202,412
Freight revenue		925	937	914	904
Charter revenue		36,311	40,444	298	975
Other passenger services and amenities		2,085	2,157	2,079	2,148
Finance income	3	525	1,221	419	1,047
Other income	3,4	6,858	4,448	5,404	3,226
Total revenue and other income		**250,963**	**260,513**	**209,132**	**210,712**
Flight and port operation costs (excluding fuel)		(48,964)	(49,567)	(44,495)	(45,236)
Fuel costs		(38,924)	(45,901)	(32,270)	(36,674)
Salaries and employee-related costs	3	(78,102)	(73,899)	(63,702)	(61,007)
Selling and marketing costs		(6,416)	(6,775)	(6,398)	(6,694)
Engineering and maintenance costs		(31,532)	(35,656)	(23,305)	(24,403)
Office and general administration costs		(6,488)	(6,531)	(4,605)	(4,759)
Finance costs	3	(190)	(330)	-	-
Depreciation and amortisation	3	(9,139)	(8,144)	(6,619)	(5,624)
Other expenses	3	(419)	(1,219)	(193)	(1,301)
Total costs and expenses		**(220,174)**	**(228,022)**	**(181,587)**	**(185,698)**
Share of profits/(losses) of associates and jointly controlled entities accounted for using the equity method		-	(13)	-	-
Profit before income tax		**30,789**	**32,478**	**27,545**	**25,014**
Income tax expense	5	(7,807)	(8,135)	(7,139)	(6,251)
Profit after tax from continuing operations		**22,982**	**24,343**	**20,406**	**18,763**
Profit attributable to:					
Members of the parent		22,982	24,343	20,406	18,763
		22,982	**24,343**	**20,406**	**18,763**
Earnings per share (cents per share)					
Basic (cents per share)	19	20.4	20.3	-	-
Diluted (cents per share)	19	20.4	20.3	-	-
Dividends per share (cents per share)	20	-	6.6	-	-

Notes to the financial statements are included on pages 29 to 71.

BALANCE SHEET

AS AT 30 JUNE 2009

		Consolidated		Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets					
Cash and cash equivalents	25	15,469	15,140	15,163	11,198
Trade and other receivables	6	8,308	16,459	9,659	13,166
Available for sale investments carried at fair value – shares		10	-	-	-
Inventories	7	7,488	6,719	5,162	4,433
Total current assets		**31,275**	**38,318**	**29,984**	**28,797**
Non-current assets					
Other financial assets	8	11	11	-	-
Other receivables	6	2,742	-	34,877	41,581
Investment in subsidiaries	23	-	-	117	117
Deferred tax assets	5	3,017	3,285	2,257	2,676
Property, plant and equipment	9				
Aircraft		80,509	75,433	44,355	38,034
Other property, plant and equipment		45,860	39,973	38,861	33,179
Goodwill and intangible assets	10	7,327	7,363	126	168
Total non-current assets		**139,466**	**126,065**	**120,593**	**115,755**
Total assets		**170,741**	**164,383**	**150,577**	**144,552**
Current liabilities					
Trade and other payables	11	14,883	16,286	12,720	13,017
Unearned revenue	15	16,202	17,801	16,283	17,632
Borrowings	12	1,657	1,818	-	-
Income tax payable	5	2,288	3,803	2,288	3,803
Provisions	14	7,534	7,014	5,547	5,357
Other financial liabilities	13	-	672	-	672
Other liabilities	15	43	288	43	288
Total current liabilities		**42,607**	**47,682**	**36,881**	**40,769**
Non-current liabilities					
Borrowings	12	-	1,657	-	-
Provisions	14	453	375	105	166
Deferred tax liabilities	5	2,272	2,016	1,654	1,417
Total non-current liabilities		**2,725**	**4,048**	**1,759**	**1,583**
Total liabilities		**45,332**	**51,730**	**38,640**	**42,352**
Net assets		**125,409**	**112,653**	**111,937**	**102,200**
Equity					
Issued capital	16	75,037	78,608	75,037	78,608
Reserved shares	17	(3,241)	(3,427)	-	-
Retained earnings	18	51,371	35,807	35,932	23,201
Share-based payments reserve	17	652	545	652	545
Other reserves	17	1,590	1,120	316	(154)
Total equity		**125,409**	**112,653**	**111,937**	**102,200**

Notes to the financial statements are included on pages 29 to 71.

CASHFLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash flows from operating activities					
Receipts from customers		269,314	282,311	239,544	227,945
Payments to suppliers and employees		(230,275)	(243,541)	(196,042)	(198,499)
Interest paid		(190)	(330)	-	-
Income taxes paid		(9,000)	(12,590)	(9,000)	(11,039)
Net cash provided by/(used in) operating activities	25 (B)	**29,849**	**25,850**	**34,502**	**18,407**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		10,756	4,331	6,551	4,329
Interest received		525	1,221	419	1,047
Purchase of aircraft		(19,325)	(5,698)	(14,396)	(3,051)
Purchase of other property, plant and equipment		(9,132)	(11,148)	(8,566)	(9,887)
Purchase of investments		(5,742)	-	-	-
Purchase of intangibles		-	(127)	-	(118)
Proceeds from sale of investments		6,693	-	-	-
Advances to related parties		-	-	(3,299)	-
Net cash provided by/(used in) investing activities		**(16,225)**	**(11,421)**	**(19,291)**	**(7,680)**
Cash flows from financing activities					
Payments for share buy-back to equity holders		(3,571)	(4,332)	(3,571)	(4,332)
Repayment of borrowings		(1,818)	(2,450)	-	-
Payment for purchase of reserved shares		(488)	(2,974)	-	-
Dividends paid		(7,418)	(7,986)	(7,675)	(7,986)
Net cash provided by/(used in) financing activities		**(13,295)**	**(17,742)**	**(11,246)**	**(12,318)**
Net increase in cash and cash equivalents		**329**	**(3,313)**	**3,965**	**(1,591)**
Effect of exchange rate on the balance of cash held in foreign currencies		**-**	**(164)**	**-**	**(164)**
Cash and cash equivalents at the beginning of the financial year		**15,140**	**18,617**	**11,198**	**12,953**
Cash and cash equivalents at the end of the financial year	25 (A)	**15,469**	**15,140**	**15,163**	**11,198**

Notes to the financial statements are included on pages 29 to 71.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Attributable to equity holders of the company						
	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Other reserves	Equity-settled employee benefits reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED							
At 1 July 2008	**78,608**	**(3,427)**	**35,807**	**545**	**1,120**	**-**	**112,653**
Dividends paid	-	-	(7,418)	-	-	-	(7,418)
Profit for the year	-	-	22,982	-	-	-	22,982
Share buy-back	(3,571)	-	-	-	-	-	(3,571)
Share purchased as reserve shares	-	(488)	-	-	-	-	(488)
Gains/(losses) on cash flow hedges	-	-	-	-	672	-	672
Deferred tax effect on cash flow hedges	-	-	-	-	(202)	-	(202)
Share gift exercised/issued	-	674	-	(557)	-	-	117
Share gift plan expense	-	-	-	664	-	-	664
At 30 June 2009	**75,037**	**(3,241)**	**51,371**	**652**	**1,590**	**-**	**125,409**
COMPANY							
At 1 July 2008	**78,608**	**-**	**23,201**	**545**	**(154)**	**-**	**102,200**
Dividends paid	-	-	(7,675)	-	-	-	(7,675)
Profit for the year	-	-	20,406	-	-	-	20,406
Share buy-back	(3,571)	-	-	-	-	-	(3,571)
Gains/(losses) on cash flow hedges	-	-	-	-	672	-	672
Deferred tax effect on cash flow hedges	-	-	-	-	(202)	-	(202)
Share gift exercised	-	-	-	(557)	-	-	(557)
Share gift plan expense	-	-	-	664	-	-	664
At 30 June 2009	**75,037**	**-**	**35,932**	**652**	**316**	**-**	**111,937**

Notes to the financial statements are included on pages 29 to 71.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Attributable to equity holders of the company						
	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Other reserves	Equity-settled employee benefits reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED							
At 1 July 2007	**82,446**	**(963)**	**19,450**	**471**	**946**	**118**	**102,468**
Dividends paid	-	-	(7,986)	-	-	-	(7,986)
Profit for the year	-	-	24,343	-	-	-	24,343
Share buy-back	(4,332)	-	-	-	-	-	(4,332)
Share purchased as reserve shares	-	(3,948)	-	-	-	-	(3,948)
Issue of shares	494	-	-	-	-	-	494
Gains/(losses) on cash flow hedges	-	-	-	-	(146)	-	(146)
Deferred tax effect on cash flow hedges	-	-	-	-	202	-	202
Share gift exercised/issued	-	394	-	(476)	-	-	(82)
Share gift provision	-	-	-	550	-	-	550
Recognition of share-based payments	-	283	-	-	-	-	283
Share options exercised	-	807	-	-	-	-	807
Transfer from equity settled employee benefits reserve	-	-	-	-	118	(118)	-
At 30 June 2008	**78,608**	**(3,427)**	**35,807**	**545**	**1,120**	**-**	**112,653**
COMPANY							
At 1 July 2007	**82,446**	**-**	**12,424**	**471**	**(328)**	**118**	**95,131**
Dividends paid	-	-	(7,986)	-	-	-	(7,986)
Profit for the year	-	-	18,763	-	-	-	18,763
Share buy back	(4,332)	-	-	-	-	-	(4,332)
Issue of shares	494	-	-	-	-	-	494
Gains/(losses) on cash flow hedges	-	-	-	-	(146)	-	(146)
Deferred tax effect on cash flow hedges	-	-	-	-	202	-	202
Share gift exercised/issued	-	-	-	(476)	-	-	(476)
Share gift provision	-	-	-	550	-	-	550
Transfer from equity settled employee benefits reserve	-	-	-	-	118	(118)	-
At 30 June 2008	**78,608**	**-**	**23,201**	**545**	**(154)**	**-**	**102,200**

Notes to the financial statements are included on pages 29 to 71.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

01. GENERAL INFORMATION

Regional Express Holdings Limited (the Company) is listed on the Australian Stock 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.

02. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

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

The financial statements were authorised for issue by the directors on 26 August 2009.

BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

CRITICAL ACCOUNTING JUDGEMENTS & SOURCES OF UNCERTAINTY

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee entitlements

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. 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 carrying amount of goodwill at the balance sheet date was $7,190 thousand (2008: $7,190 thousand) with no impairment loss recognised during the current financial year.

Fair value of derivatives and other financial instruments

As described in Note 26, management uses their judgement 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.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Company and the Group have 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 the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company's and the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Interpretation 13: Customer loyalty programmes

There was no material impact on the results report for 2009 and 2008, nor on the amounts reported for earnings per share.

STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009	30 June 2010

Initial application of the following Standards is not expected to have any material impact on the financial report of the Group and the Company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010[1]	30 June 2011
AASB 2009-6 'Amendments to Australian Accounting Standards'	1 January 2009[2]	30 June 2010
AASB 2009-7 'Amendments to Australian Accounting Standards'	1 July 2009	30 June 2010
AASB 1 'First-time Adoption of Australian Accounting Standards'	1 July 2009	30 June 2010
AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

[1] Applicable to financial years beginning on or after 1 January 2010, except for the amendments made to the guidance to AASB 118 'Revenue' that have no explicit application date and are taken to be immediately effective.
[2] Applicable to financial years beginning on or after 1 January 2009 that end on or after 30 June 2009.

02. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(B) INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(C) 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(D) 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 balance sheet.

(E) FOREIGN CURRENCY

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 sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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 Note 26).

(F) DERIVATIVE FINANCIAL INSTRUMENTS

The Group is only authorised by the Board to enter into forward contracts for the purchase of US dollars (USD) and is only authorised to purchase amounts not exceeding the annual USD requirements of the Group. The Group does not engage in any derivative financial instruments speculatively.

The Group enters into forward contracts where it agrees to buy specified amounts of USD in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in USD, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually no longer than 12 months. Further details of these USD contracts are disclosed in Note 26 to the financial statements.

The USD contracts are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the foreign currency contracts are designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates these USD contracts as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments.

The fair value of USD contracts are classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

USD contracts not designated into an effective hedge relationship are classified as a current asset or a current liability.

HEDGE ACCOUNTING

Hedges of foreign exchange risk on highly probable forecast transactions or firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the USD contract and 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 USD contract that is used in a hedging relationship is highly effective in offsetting changes in fair values.

Note 26 contains details of the fair values of the USD contracts used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 17.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(G) 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 employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months 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.

DEFINED CONTRIBUTION PLANS

Contributions to defined contribution superannuation plans are expensed when incurred.

(H) FINANCIAL ASSETS

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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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 PROFIT OR LOSS

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;

(ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) is a derivative that is not designated and effective as a hedging instrument.

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 26.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 26. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

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

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

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 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(I) FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

DEBT AND EQUITY INSTRUMENTS

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. 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.

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. Fair value is determined in the manner described in note 26.

OTHER FINANCIAL LIABILITIES

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.

(J) GOODWILL

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is subsequently measured at its cost less any impairment losses.

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.

(K) 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 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 the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. 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 as income of the period in which it becomes receivable.

(L) IMPAIRMENT OF OTHER TANGIBLE AND INTANGIBLE ASSETS

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.

(M) INCOME TAX

CURRENT TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/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 is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

TAX CONSOLIDATION

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Regional Express Holdings Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the Company entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(N) INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. 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.

INTERNALLY-GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Development costs
Useful lives	Finite	Finite
Amortisation method used	5 years straight line	2.5 years straight line
Internally generated / acquired	Acquired	Internally generated
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; reviewed annually for indicator of impairment

(O) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued 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.

(P) LEASED ASSETS

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

GROUP AS LESSOR

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

GROUP AS LESSEE

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to Note 2(C). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

LEASE INCENTIVES

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(Q) 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 years
Computer Equipment	4 years
Engines	10 years
Furniture & Fittings	8 years
Leasehold Improvements	over the unexpired lease period
Motor Vehicles	7 years
Plant & Equipment	8 years
Rotable Assets	5 to 20 years

(R) 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. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

(S) REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

RENDERING OF SERVICES

Revenue from providing air passenger and freight services is recognised when the relevant flights are made.

DIVIDEND AND INTEREST INCOME

Dividend from investments is recognised when the shareholder's right to receive payment has been established.

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.

(T) 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. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 27.

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.

Equity-settled share-based payment transactions with other parties 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 equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(U) 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 cash flow statement 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.

03. REVENUES AND EXPENSES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Finance income				
Interest	525	1,221	419	1,047
	525	**1,221**	**419**	**1,047**
Other income				
Net gain on disposal of property, plant & equipment	3,429	520	2,169	520
Grant – Department of Transport and Regional Services	244	192	244	192
Other income	3,185	3,736	2,991	2,514
	6,858	**4,448**	**5,404**	**3,226**
Salaries & employee related costs				
Wages and salaries (excluding bonus – profit share scheme)	(69,178)	(64,287)	(56,147)	(52,984)
Bonus – profit share scheme	(2,004)	(1,951)	(1,626)	(1,715)
Workers' compensation costs	(1,465)	(1,241)	(1,391)	(1,228)
Superannuation costs	(4,674)	(4,943)	(3,874)	(3,603)
Expense of employee options	-	(856)	-	(856)
Expense of share-based payments	(781)	(621)	(664)	(621)
	(78,102)	**(73,899)**	**(63,702)**	**(61,007)**
Finance costs				
Interest expense	(190)	(330)	-	-
	(190)	**(330)**	**-**	**-**
Depreciation & amortisation				
Depreciation and amortisation	(9,017)	(7,994)	(6,503)	(5,474)
Amortisation of development costs and software	(122)	(150)	(116)	(150)
	(9,139)	**(8,144)**	**(6,619)**	**(5,624)**
Lease payments included in income statement				
Included in flight and port operation costs				
Minimum lease payments – operating lease	(7,604)	(7,700)	(7,604)	(7,429)
	(7,604)	**(7,700)**	**(7,604)**	**(7,429)**
Office and general administrative costs				
Bad debts provided	(1)	(209)	-	(209)
Negative goodwill on acquisition of subsidiary	-	(13)	-	-
Other expenses				
Loss on disposal of property, plant & equipment	-	(340)	-	-
Provision for non-recoverability of Hazelton loan	-	(67)	-	(67)
Net foreign currency loss	(419)	(812)	(193)	(1,234)
	(419)	**(1,219)**	**(193)**	**(1,301)**

Notes to the financial statements are included on pages 29 to 71.

04. PROFIT FOR THE YEAR

(A) GAINS AND LOSSES

Profit/(loss) for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Net gain/(loss) on disposal of property, plant and equipment	3,429	180	2,169	520
Net foreign exchange gain/(loss)	(419)	(812)	(193)	(1,234)

(B) OTHER EXPENSES

Profit/(loss) for the year includes the following expenses:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Depreciation				
Aircraft	6,119	5,626	3,758	3,234
Other property, plant and equipment	2,898	2,368	2,745	2,241
Amortisation				
Development costs and software	122	150	116	150
Operating lease rental expenses				
Minimum lease payments	7,604	7,700	7,604	7,429
Employee related expenses				
Employee options	-	856	-	856
Share-based payments	781	621	664	621

05. INCOME TAX

INCOME TAX RECOGNISED IN PROFIT OR LOSS

CONSOLIDATED	2009 $'000	2008 $'000
Tax expense/(income) comprises:		
Current tax expense/(income)		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	7,491	8,402
(Over)/under-provision of income tax in previous year	316	541
Total tax expense/(income)	-	(808)
Total tax expense/(income)	**7,807**	**8,135**
Attributable to:		
Continuing operations	7,807	8,135
	7,807	**8,135**
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from continuing operations	30,789	32,478
Profit/(loss) from operations	**30,789**	**32,478**
Income tax expense calculated at 30%	9,237	9,743
Non deductible expenses/(income)	-	279
Effect of revenue that is exempt from taxation	-	(10)
Equity share of associates' (profits)/losses	-	4
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	(888)	(919)
Other	(38)	(154)
Investment allowance	(504)	-
(Over)/under-provision of income tax in previous year	-	(808)
	7,807	**8,135**

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.

05. INCOME TAX (CONTINUED)

INCOME TAX RECOGNISED DIRECTLY IN EQUITY

The following current and deferred tax amounts were charged directly in equity during the period:

CONSOLIDATED	2009 $'000	2008 $'000
Deferred tax		
Other	202	(202)
	202	**(202)**
Current tax payables		
Income tax attributable:		
Parent entity	2,722	2,179
Entities in the tax consolidated group	(434)	1,624
	2,288	**3,803**
Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	3,017	3,285
Deferred tax liabilities comprise:		
Temporary differences	2,272	2,016
Net deferred tax assets	**745**	**1,269**

Taxable and deductible temporary differences arise from the following:

CONSOLIDATED 30 June 2009	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions /disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Gross deferred tax liabilities							
Inventories	(2,016)	(230)	-	-	-	-	(2,246)
Other items	-	(26)	-	-	-	-	(26)
	(2,016)	**(256)**	**-**	**-**	**-**	**-**	**(2,272)**
Gross deferred tax assets							
Employee-related provisions	2,398	211	-	-	-	-	2,609
Deferred government grant	86	(73)	-	-	-	-	13
Provision for doubtful debts	10	1	-	-	-	-	11
Listing costs deductible over five years	348	(174)	-	-	-	-	174
Other items	443	(31)	(202)	-	-	-	210
	3,285	**(66)**	**(202)**	**-**	**-**	**-**	**3,017**
	-	-	-	-	-	-	-
Net deferred tax assets/liabilities	**1,269**	**(322)**	**(202)**	**-**	**-**	**-**	**745**

CONSOLIDATED 30 June 2009	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions /disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Gross deferred tax liabilities							
Inventories	(2,580)	564	-	-	-	-	(2,016)
	(2,580)	**564**	**-**	**-**	**-**	**-**	**(2,016)**
Gross deferred tax assets							
Employee-related provisions	2,844	(446)	-	-	-	-	2,398
Deferred government grant	144	(58)	-	-	-	-	86
Provision for doubtful debts	118	(108)	-	-	-	-	10
Listing costs deductible over five years	522	(174)	-	-	-	-	348
Other items	560	(319)	202	-	-	-	443
	4,188	**(1,105)**	**202**	**-**	**-**	**-**	**3,285**
	-	-	-	-	-	-	-
Net deferred tax assets/liabilities	**1,608**	**(541)**	**202**	**-**	**-**	**-**	**1,269**

Deferred tax assets of $2,851 thousand (2008: $3,751 thousand) from tax losses have not been brought to account as assets.

05. INCOME TAX (CONTINUED)

INCOME TAX RECOGNISED IN PROFIT OR LOSS

COMPANY	2009 $'000	2008 $'000
Tax expense/(income) comprises:		
Current tax expense/(income)	6,685	6,189
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	454	460
(Over)/under-provision of income tax in previous year	-	(398)
Total tax expense/(income)	**7,139**	**6,251**
Attributable to:		
Continuing operations	7,139	6,251
	7,139	**6,251**
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from continuing operations	27,545	25,014
Profit/(loss) from operations	**27,545**	**25,014**
Income tax expense calculated at 30%	8,264	7,504
Non deductible expenses/(income)	(77)	125
Equity share of associates' (profits) / losses	-	4
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	(888)	(697)
Other	-	(287)
Investment allowance	(160)	-
(Over)/under-provision of income tax in previous year	-	(398)
	7,139	**6,251**

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.

INCOME TAX RECOGNISED DIRECTLY IN EQUITY

The following current and deferred tax amounts were charged directly in equity during the period:

COMPANY	2009 $'000	2008 $'000
Deferred tax		
Other	202	(202)
	202	**(202)**
Current tax payables		
Income tax attributable:		
Parent entity	2,722	2,179
Entities in the tax consolidated group	(434)	1,624
	2,288	**3,803**
Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	2,257	2,676
Deferred tax liabilities comprise:		
Temporary differences	1,654	1,417
Net deferred tax assets/liabilities	**603**	**1,259**

05. INCOME TAX (CONTINUED)

Taxable and deductible temporary differences arise from the following:

COMPANY 30 June 2009	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions /disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Gross deferred tax liabilities							
Inventories	(1,330)	(219)	-	-	-	-	(1,549)
Other items	(87)	(18)	-	-	-	-	(105)
	(1,417)	**(237)**	**-**	**-**	**-**	**-**	**(1,654)**
Gross deferred tax assets							
Employee-related provisions	1,838	71	-	-	-	-	1,909
Deferred government grant	86	(73)	-	-	-	-	13
Provision for doubtful debts	10	-	-	-	-	-	10
Listing costs deductible over five years	348	(174)	-	-	-	-	174
Other items	394	(41)	(202)	-	-	-	151
	2,676	**(217)**	**(202)**	**-**	**-**	**-**	**2,257**
	-	-	-	-	-	-	-
	1,259	**(455)**	**(202)**	**-**	**-**	**-**	**603**

COMPANY 30 June 2009	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions /disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Gross deferred tax liabilities							
Inventories	(1,265)	(65)	-	-	-	-	(1,330)
Other items	(11)	(76)	-	-	-	-	(87)
	(1,276)	**(141)**	**-**	**-**	**-**	**-**	**(1,417)**
Gross deferred tax assets							
Employee-related provisions	1,648	190	-	-	-	-	1,838
Deferred government grant	144	(58)	-	-	-	-	86
Provision for doubtful debts	4	6	-	-	-	-	10
Listing costs deductible over five years	522	(174)	-	-	-	-	348
Other items	475	(283)	202	-	-	-	394
	2,793	**(319)**	**202**	**-**	**-**	**-**	**2,676**
	-	-	-	-	-	-	-
	1,517	**(459)**	**202**	**-**	**-**	**-**	**1,259**

06. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Trade receivables	5,950	12,373	7,747	9,268
Provision for doubtful debts	(35)	(34)	(34)	(34)
	5,915	**12,339**	**7,713**	**9,234**
Sundry debtors and other debtors	66	1,097	236	1,142
Prepayments	1,751	1,969	1,295	1,759
Deposits and other assets	576	1,054	415	1,031
	8,308	**16,459**	**9,659**	**13,166**

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the provision has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. The Group has provided fully for all receivables deemed irrecoverable based on historical experience.

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 the credit card companies.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Ageing of past due but not impaired				
60 - 90 days	2	37	2	29
90 - 120 days	309	371	191	232
Total	**311**	**408**	**193**	**261**
Movement in the provision for doubtful debts				
Balance at the beginning of the year	(34)	(13)	(34)	(13)
Impairment losses recognised on receivables	(1)	209	-	209
Amounts written off as uncollectible	-	(230)	-	(230)
Balance at the end of the year	**(35)**	**(34)**	**(34)**	**(34)**
Ageing of impaired trade receivables				
60 - 90 days	-	-	-	-
90 - 120 days	-	-	-	-
120+ days	(35)	(34)	(34)	(34)
Total	**(35)**	**(34)**	**(34)**	**(34)**

06. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current				
Trade receivables - at amortised cost	2,742	-	2,742	-
Loans to subsidiaries - at amortised cost	-	-	32,135	41,581
	2,742	**-**	**34,877**	**41,581**

Related party receivables are loan receivables from controlled entities. They are non-interest bearing and repayable at call.

07. INVENTORIES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Consumable spares at cost	7,488	6,719	5,162	4,433

08. OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current				
Investments carried at cost	11	11	-	-

09. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Aircraft				
At cost	108,000	99,779	53,598	45,425
Accumulated depreciation and impairment	(27,491)	(24,346)	(9,243)	(7,391)
Net carrying value	**80,509**	**75,433**	**44,355**	**38,034**
Other property, plant and equipment				
Rotable assets				
At cost	26,866	26,565	23,320	23,146
Accumulated depreciation and impairment	(3,692)	(3,102)	(3,691)	(3,102)
Net carrying value	**23,174**	**23,463**	**19,629**	**20,044**
Leasehold improvements				
At cost	993	1,032	993	1,009
Accumulated depreciation and impairment	(364)	(244)	(364)	(242)
	629	**788**	**629**	**767**
Construction in progress	-	1,519	-	1,519
Net carrying value	**629**	**2,307**	**629**	**2,286**
Motor vehicles				
At cost	878	671	517	359
Accumulated depreciation and impairment	(438)	(364)	(232)	(176)
Net carrying value	**440**	**307**	**285**	**183**
Furniture and fittings				
At cost	1,015	827	757	668
Accumulated depreciation and impairment	(512)	(324)	(329)	(233)
Net carrying value	**503**	**503**	**428**	**435**
Computer equipment				
At cost	1,796	1,669	1,456	1,235
Accumulated depreciation and impairment	(1,060)	(791)	(842)	(531)
Net carrying value	**736**	**878**	**614**	**704**

09. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Plant and equipment – ground service equipment				
At Cost	5,489	4,820	5,117	4,660
Accumulated depreciation and impairment	(3,128)	(2,445)	(2,958)	(2,313)
Net carrying value	**2,361**	**2,375**	**2,159**	**2,347**
Land and buildings				
At cost	10,107	6,837	10,084	6,837
Accumulated depreciation and impairment	(571)	(302)	(565)	(302)
	9,536	**6,535**	**9,519**	**6,535**
Construction in progress	2,157	-	2,157	-
Net carrying value	**11,693**	**6,535**	**11,676**	**6,535**
Engines				
At cost	7,455	4,524	3,846	915
Accumulated depreciation and impairment	(1,244)	(919)	(404)	(270)
	6,211	**3,605**	**3,442**	**645**
Construction in progress	112	-	-	-
Net carrying value	**6,323**	**3,605**	**3,442**	**645**
Other property, plant and equipment				
Total property, plant and equipment	56,869	48,464	48,246	40,348
At cost	(11,009)	(8,491)	(9,385)	(7,169)
Accumulated depreciation and impairment	-	-	-	-
Net carrying value	**45,860**	**39,973**	**38,861**	**33,179**
Total property, plant and equipment				
At cost	164,869	148,243	101,845	85,773
Accumulated depreciation and impairment	(38,500)	(32,837)	(18,629)	(14,560)
Net carrying value	**126,369**	**115,406**	**83,216**	**71,213**

RECONCILIATIONS	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Aircraft				
Net carrying amount at beginning of the period	75,433	78,533	38,034	41,551
Additions	19,325	5,698	14,396	3,051
Disposals	(8,299)	(3,333)	(4,317)	(3,333)
Reclassification	169	-	-	-
Depreciation charge for the year	(6,119)	(5,465)	(3,758)	(3,235)
Net carrying value	**80,509**	**75,433**	**44,355**	**38,034**
Other property, plant and equipment				
Rotable assets				
Net carrying amount at beginning of the period	23,463	19,391	20,044	16,294
Additions	798	5,245	670	4,923
Disposals	(9)	(354)	(9)	(354)
Reclassification	-	-	-	-
Depreciation charge for the year	(1,078)	(819)	(1,077)	(819)
Net carrying value	**23,174**	**23,463**	**19,628**	**20,044**
Leasehold improvements				
Net carrying amount at beginning of the period	2,307	733	2,286	707
Additions	14	1,694	14	1,697
Disposals	-	(15)	-	(15)
Reclassification	(1,536)	-	(1,519)	-
Depreciation charge for the year	(156)	(105)	(152)	(103)
Net carrying value	**629**	**2,307**	**629**	**2,286**
Motor vehicles				
Net carrying amount at beginning of the period	307	254	183	189
Additions	308	143	225	68
Disposals	(75)	(23)	(56)	(23)
Reclassification	(28)	-	-	-
Depreciation charge for the year	(72)	(67)	(67)	(51)
Net carrying value	**440**	**307**	**285**	**183**
Furniture and fittings				
Net carrying amount at beginning of the period	503	918	435	439
Additions	105	141	89	143
Disposals	(1)	(384)	-	(43)
Reclassification	(5)	-	-	-
Depreciation charge for the year	(99)	(172)	(96)	(104)
Net carrying value	**503**	**503**	**428**	**435**
Computer equipment				
Net carrying amount at beginning of the period	878	547	704	548
Additions	224	649	221	444
Disposals	(5)	(10)	-	(10)
Reclassification	(31)	-	-	-
Depreciation charge for the year	(330)	(308)	(311)	(278)
Net carrying value	**736**	**878**	**614**	**704**

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Plant and equipment – ground service equipment				
Net carrying amount at beginning of the period	2,375	2,311	2,347	2,249
Additions	668	708	457	733
Disposals	(2)	(32)	-	(32)
Reclassification	64	-	-	-
Depreciation charge for the year	(744)	(612)	(645)	(603)
Net carrying value	**2,361**	**2,375**	**2,159**	**2,347**
Land and buildings				
Net carrying amount at beginning of the period	6,535	4,846	6,535	4,846
Additions	3,886	1,879	3,885	1,879
Disposals	-	-	-	-
Reclassification	1,536	-	1,519	-
Depreciation charge for the year	(263)	(190)	(263)	(190)
Net carrying value	**11,694**	**6,535**	**11,676**	**6,535**
Engines				
Net carrying amount at beginning of the period	3,605	3,172	645	736
Additions	3,043	689	2,931	-
Disposals	-	-	-	-
Reclassification	(169)	-	-	-
Depreciation charge for the year	(156)	(256)	(134)	(91)
Net carrying value	**6,323**	**3,605**	**3,442**	**645**
Other property, plant and equipment				
Net carrying amount at beginning of the period	39,973	32,172	33,179	26,008
Additions	9,046	11,148	8,492	9,887
Disposals	(92)	(818)	(65)	(477)
Reclassification	(169)	-	-	-
Depreciation and amortisation charge for the year	(2,898)	(2,529)	(2,745)	(2,239)
Net carrying value	**45,860**	**39,973**	**38,661**	**33,179**
Total property, plant and equipment				
Net carrying amount at beginning of the period	115,406	110,705	71,213	67,559
Additions	28,371	16,846	22,888	12,938
Disposals	(8,391)	(4,151)	(4,382)	(3,810)
Reclassification	-	-	-	-
Depreciation charge for the year	(9,017)	(7,994)	(6,503)	(5,474)
Net carrying value	**126,369**	**115,406**	**83,216**	**71,213**

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

No impairment loss has been recognised over items of property, plant and equipment for the year ended 30 June 2009 (2008: Nil).

10. GOODWILL AND OTHER INTANGIBLE ASSETS

	Consolidated		Company	
	Goodwill $'000	Software and development costs $'000	Goodwill $'000	Software and development costs $'000
At 30 June 2009				
Cost	7,190	681	-	664
Accumulated amortisation and impairment	-	(544)	-	(538)
Net carrying amount	**7,190**	**137**	**-**	**126**
Total goodwill and intangible assets		**7,327**		**126**
Reconciliation				
At 1 July 2008, net of accumulated amortisation	7,190	173	-	168
Additions	-	86	-	74
Disposal	-	-	-	-
Amortisation at 30 June 2009	-	(122)	-	(116)
	7,190	**137**	**-**	**126**
Total goodwill and intangible assets		**7,327**		**126**
At 30 June 2008				
Cost	7,190	595	-	589
Accumulated amortisation and impairment	-	(422)	-	(421)
Net carrying amount	**7,190**	**173**	**-**	**168**
Total goodwill and intangible assets		**7,363**		**168**
Reconciliation				
At 1 July 2007, net of accumulated amortisation	7,186	200	-	200
Additions	4	123	-	118
Disposal	-	-	-	-
Amortisation at 30 June 2008	-	(150)	-	(150)
	7,190	**173**	**-**	**168**
Total goodwill and intangible assets		**7,363**		**168**

10. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

During the financial year, the Group assessed the recoverable amount of goodwill and determined that there was no impairment of goodwill.

Goodwill has been allocated for impairment testing purposes to the individual cash generating units as follows:

Air Link ($'000)	**576**
Pel-Air ($'000)	**6,614**
Total ($'000)	**7,190**

PEL-AIR

Pel-Air was purchased by the Group in the financial periods 2006 (50%) and 2007 (50%). The recoverable amount of the Pel-Air cash-generating unit has been determined based on a 6% revenue growth with 5% cost escalation and appropriate capital investment, and a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.0% p.a. Cash flows beyond that five year period will be extrapolated using a steady 5% p.a. growth rate.

AIRLINK

Air Link is a regional passenger airline that was acquired by the Group in the 2006 financial year. The recoverable amount of the Air Link cash-generating unit is determined based on a 6% revenue growth with 5% cost escalation and appropriate capital investment, and a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 10.0% p.a. Cash flows beyond that five year period are extrapolated using a steady 5% p.a. growth rate.

11. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Trade payables	9,537	9,696	8,508	8,537
Other payables	5,346	6,590	4,212	4,480
Total	**14,883**	**16,286**	**12,720**	**13,017**

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. BORROWINGS

	Effective interest rate %	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current					
Hire purchase liability	7.5	1,657	1,818	-	-
Non-Current					
Hire purchase liability	7.5	-	1,657	-	-

HIRE PURCHASE LIABILITY

The hire purchase liabilities are provided to Pel-Air Aviation Pty Limited to fund a number of aircraft assets. The liabilities are secured over the assets being funded the value of which exceeds the outstanding liability.

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
No later than one year	1,717	2,008	-	-	1,657	1,818	-	-
Later than one year and not later than five years	-	1,717	-	-	-	1,657	-	-
Later than five years	-	-	-	-	-	-	-	-
Minimum future lease payments*	1,717	3,725	-	-	1,657	3,475	-	-
Less future finance charges	(60)	(250)	-	-	-	-	-	-
Present value of minimum lease payments	**1,657**	**3,475**	**-**	**-**	**1,657**	**3,475**	**-**	**-**
Included in the financial statements as:								
Current borrowings	-	-	-	-	1,657	1,818	-	-
Non-current borrowings	-	-	-	-	-	1,657	-	-

* Minimum hire purchase payments include the aggregate of all payments and any guaranteed residual.

13. OTHER FINANCIAL LIABILITIES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current				
Foreign exchange liability	-	672	-	672

This foreign exchange liability is due to the revaluation of USD forward contract, refer to Note 26.

14. PROVISIONS

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Employee benefits				
Profit share	1,894	1,763	1,626	1,637
Annual leave and long service leave	5,640	5,251	3,921	3,720
	7,534	**7,014**	**5,547**	**5,357**
Non-current				
Employee benefits				
Long service leave	453	375	105	166
Total employee benefits provisions	**7,987**	**7,389**	**5,652**	**5,523**

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Annual leave and long service leave				
Balance at the beginning of the year	5,626	6,242	3,886	4,545
Arising during the year	4,814	4,030	4,185	3,099
Utilised	(4,347)	(4,646)	(4,045)	(3,758)
Balance at the end of the year	**6,093**	**5,626**	**4,026**	**3,886**

15. OTHER LIABILITIES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Unearned revenue	16,202	17,801	16,283	17,632
Government grant	43	288	43	288

16. ISSUED CAPITAL

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Fully paid ordinary shares	75,037	78,608	75,037	78,608

Changes to the then Corporations Law abolished the authorized capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorized capital and issued shares do not have a par value.

	2009		2008	
	No.'000	$'000	No.'000	$'000
Fully paid ordinary shares				
Balance at 1 July 2008	117,133	78,608	117,133	82,446
Issues of shares during the year share buy-back	(3,737)	(3,571)	(4,122)	(4,332)
Balance at 30 June 2009	**113,396**	**75,037**	**117,133**	**78,608**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

During the Financial Year 2008, the Group executed a publicly announced share buy-back programme. All the shares purchased under the programme are cancelled. During the current year, the Group bought back 3,737,360 shares (2008: 4,121,973).

17. RESERVES AND OTHER RESERVES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash flow hedge reserve	-	(470)	-	(470)
Reserved shares	(3,241)	(3,427)	-	-
Share-based payments reserve	652	545	652	545
General reserves	1,590	1,590	316	316
	(999)	**(1,762)**	**968**	**391**
Reserved shares				
Balance at 1 July	(3,427)	(963)	-	-
Purchases of shares on market	(488)	(3,948)	-	-
Shares granted to directors and employees	674	1,484	-	-
Balance at 30 June	**(3,241)**	**(3,427)**	**-**	**-**

Reserved shares are ordinary shares in the Company which are re-acquired for later payment as employee share-based payment awards and deducted from equity.

17. RESERVES AND OTHER RESERVES (CONTINUED)

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Equity-settled employee benefits reserve				
Balance at 1 July	-	118	-	118
Transfer to General Reserves	-	(118)	-	(118)
Balance at 30 June	**-**	**-**	**-**	**-**

The equity-settled employee benefits reserve arose on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 29 to the financial statements.

Share-based payments reserve				
Balance at 1 July	545	471	545	471
Share gift provision	664	550	664	550
Share gift issued	(557)	(476)	(557)	(476)
Balance at 30 June	**652**	**545**	**652**	**545**

The 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. Further information about share-based payments to employees is made in note 29 to the financial statements.

Cash flow hedge reserve				
Balance at 1 July	(470)	(526)	(470)	(526)
Gain recognised on cash flow foreign exchange hedges	470	56	470	56
Balance at 30 June	**-**	**(470)**	**-**	**(470)**

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.

General reserve				
Balance at 1 July	1,590	1,472	316	198
Transfer from equity-settled employee benefits reserve	-	118	-	118
Balance at 30 June	**1,590**	**1,590**	**316**	**316**
Total other reserves	**1,590**	**1,120**	**316**	**(154)**

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

18. RETAINED EARNINGS

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at 1 July	35,807	19,450	23,201	12,424
Dividends provided for or paid (Note 20)	(7,418)	(7,986)	(7,675)	(7,986)
Net profit for the year	22,982	24,343	20,406	18,763
Balance at 30 June	**51,371**	**35,807**	**35,932**	**23,201**

19. EARNINGS PER SHARE

	Consolidated 2009 Cents per share	2008 Cents per share
Basic earnings per share		
From continuing operations	20.4	20.3
Total basic earnings per share	20.4	20.3
Diluted earnings per share		
From continuing operations	20.4	20.3
Total diluted earnings per share	20.4	20.3

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic (EPS) are as follows:

	2009 $'000	2008 $'000
Net profit	22,982	24,343
Earnings used in the calculation of basic EPS	22,982	24,343
Earnings used in the calculation of basic EPS from continuing operations	22,982	24,343

	2009 No.'000	2008 No.'000
Weighted average number of ordinary shares for the purpose of basic EPS	112,689	119,769

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted EPS is as follows:

	2009 $'000	2008 $'000
Net profit	22,982	24,343
Earnings used in the calculation of diluted EPS	22,982	24,343
Earnings used in the calculation of diluted EPS from continuing operations	22,982	24,343

	2009 No.'000	2008 No.'000
Weighted average number of ordinary shares for the purpose of diluted EPS	112,689	119,589

	2009 No.'000	2008 No.'000
Weighted average number of converted, lapsed, or cancelled potential ordinary shares included in the calculation of diluted EPS:		
Options to purchase ordinary shares pursuant to the employee share option plan	-	-

20. DIVIDENDS

	Cents per share	Total $'000
Recognised amounts		
Dividends on fully paid ordinary shares paid out:		
Fully franked final dividend for FY 2009	6.6	7,675

In respect of financial year ended 30 June 2008 and as detailed in the Directors' Report, a fully franked final dividend of 6.6 cents per share was paid to the holders of fully paid ordinary shares on 28 November 2008.

In respect of financial year ended 30 June 2009, the directors have recommended the prudent approach of postponing the payment of dividends as the outlook remains uncertain. The Board recommends a reassessment of the situation at its meeting of February 2010 for the payment of a final dividend if the financial health of the Company permits it.

	Company	
	2009 $'000	2008 $'000
Adjusted franking account balance	35,487	31,291
Franking credit recognized that will arise from payment of income tax payable as at the end of financial year	2,288	3,803
Impact on franking account balance of dividends not recognized	-	3,306

21. COMMITMENTS FOR EXPENDITURE

As at 30 June 2009, the Group has commitments of $12 million for the construction of the new pilot training campus in Wagga Wagga, $3.0 million for the purchase of ten new Piper aircraft for pilot training and $3.5 million for the upgrade of Pel Air Aviation Pty Ltd's Westwind fleet.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(A) CAPITAL EXPENDITURE COMMITMENTS				
Property, plant and equipment				
Not longer than one year	17,400	9,033	15,500	9,033
Longer than one year and not longer than five years	1,100	-	-	-
Longer than five years	-	-	-	-
	18,500	**9,033**	**15,500**	**9,033**
(B) NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
Not longer than one year	9,888	5,080	9,888	5,080
Longer than one year and not longer than five years	35,394	30,639	35,394	30,639
Longer than five years	-	9,550	-	9,550
	45,282	**45,269**	**45,282**	**45,269**

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2009, no contingent liabilities or assets existed.

23. SUBSIDIARIES

		Ownership interest	
Name of entity	Country of incorporation	2009 %	2008 %
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
Air Link Pty Limited	Australia	100	100
Pel-Air Aviation Pty Limited	Australia	100	100
Australian Airline Pilot Academy Pty Limited	Australia	100	100

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

24. ACQUISITION OF BUSINESSES

No business was acquired during the financial year. In Financial Year 2008, the Group incorporated Australian Airline Pilot Academy Pty Limited on 9 November 2007 as a 50:50 joint venture, and acquired the balance 50% on 18 April 2008. The consideration for the 50% share was $4, resulting in negative goodwill of $13 thousand which was recognised as an expense on acquisition date.

25. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, 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 cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	15,469	15,140	15,163	11,198

(B) RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Profit for the year	22,982	24,343	20,406	18,763
Gain on sale or disposal of non-current assets	(2,365)	(180)	(2,169)	(520)
Gain on sale of investments	(961)	-	-	-
Share of associate's (profits)/losses	-	13	-	-
Goodwill on acquisition of subsidiary	-	13	-	-
Depreciation and amortisation	9,139	8,144	6,619	5,624
Unrealised foreign exchange (gain)/loss	56	164	58	164
Equity-settled share-based payments	781	1,551	664	1,551
Interest income received and receivable	(525)	(1,221)	(419)	(1,047)
Bad debts provided	1	209	-	209
Increase/(decrease) in current tax liability	(1,515)	(4,950)	(1,515)	(5,248)
Increase/(decrease) in deferred tax balances	322	326	454	258
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	3,796	(4,266)	11,546	(2,190)
Inventories	(769)	25	(729)	245
Increase/(decrease) in liabilities:				
Trade and other payables	(1,403)	4,070	(297)	2,524
Provisions	598	(2,200)	129	(1,735)
Other liabilities	(288)	(191)	(245)	(191)
Net cash from operating activities	**29,849**	**25,850**	**34,502**	**18,407**

(C) FINANCING FACILITIES

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Maximum facilities available and reviewed annually:				
Merchant prepayments	10,250	10,250	10,250	10,250
Set off	3,000	-	3,000	-
Tape negotiations authority	2,500	2,500	2,500	2,500
Letter of credit	1,608	1,608	1,608	1,608

The Group also has financing facilities for cheque cashing authority ($5 thousand), bank guarantee ($786 thousand), and credit card facility ($155 thousand). As at end of the financial year, the amount of facilities used was $1,549 thousand of letter of credit, and $650 thousand of bank guarantee. The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets. The facilities are secured by the Group's properties located in New South Wales at Don Kendell Drive Forest Hill, and 72 Robey Street Mascot.

26. 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 maximizing the return to stakeholders.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt as disclosed in Note 12. Equity attributable to equity holders of the parent comprises issued capital, reserves and retained earnings as disclosed in Notes 16, 17 and 18 respectively.

Operating cash flows are used to acquire assets required for the Group's operation, tax, dividends, share buy-backs and repayment of maturing debt.

The Group currently has minimal interest bearing debt. The current interest bearing debt originates from Pel-Air Aviation Pty Limited which was transferred to the Group when Pel-Air was acquired in FY 2007. Going forward 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 Group currently has no gearing ratio as its cash and cash equivalents exceed its level of debt and it is currently not expected that this will change significantly in the next financial year. 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 net cash position at year end was as follows:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assets				
Debt [(i)]	(1,657)	(3,475)	-	-
Cash and cash equivalents	15,469	15,140	15,163	11,198
Excess of cash and cash equivalents over debt	**13,812**	**11,665**	**15,163**	**11,198**

(i) Debt is defined as long - and short-term borrowings, as detailed in Note 12.

(B) CATEGORIES OF FINANCIAL INSTRUMENTS

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Financial assets				
Loans and receivables	9,299	14,490	43,241	52,988
Cash and cash equivalents	15,469	15,140	15,163	11,198
Available-for-sale financial assets	21	11	-	-
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	-	672	-	672
Amortised cost	16,540	19,761	12,720	13,017

(C) FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's financial risk is essentially in US dollars (USD) exposure and hence its main objective is to minimize the impact of violent USD fluctuation on its operations through spot purchases and/or hedges of the USD currency. The use of these financial instruments is governed by the Group's Hedge policy approved by the Board of Directors, which provides written principles on foreign exchange risk. 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 or financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function, which co-ordinates the hedging of foreign currency risks, is managed by the Group's Finance Department and reports regularly to the Board and Audit and Corporate Governance Committee.

(D) FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in USD, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed using forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Liabilities		Assets	
2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
1,174	1,102	462	3,184

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to USD for the following main purchases:

- Operating leases, approximately USD 7.9 million per annum
- Engine care and maintenance programme, approximately USD 9.4 million per annum
- Insurance, approximately USD 0.7 million per annum
- Engineering purchases, approximately USD 4.5 million per annum

The Group is also exposed to fuel which nominally denominated in USD. The Group does not consider that this is a foreign currency risk as the final cost of fuel in AUD forms the basis for the determination of the fuel levy which is charged to the passenger.

The following table details the Company's and the Group's sensitivity to a 10% increase and 10% decrease in the Australian Dollar against the USD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit or loss	98	240	98	240

The Group's sensitivity to foreign currency has decreased mainly due to the decrease in USD receivables.

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group may enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions up to 12 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.

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Average exchange rate		Foreign currency		Contract value		Fair Value	
Outstanding Contracts	2009	2008	2009 USD'000	2008 USD'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Consolidated								
Buy USD								
Less than 12 months	-	0.9084	-	11,000	-	12,108	-	(672)
Company								
Buy USD								
Less than 12 months	-	0.9084	-	11,000	-	12,108	-	(672)

(E) INTEREST RATE RISK MANAGEMENT

The Group has very little exposure to interest rate risk as its borrowings are minimal as detailed in Note 12 and they are at a fixed interest rate. As such the Group does not hedge its interest rate exposure. The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(F) CREDIT RISK MANAGEMENT

The Company has limited exposure to credit risk as majority of its revenue is derived from sales made through credit cards where counterparties are either banks or the credit card companies. The disputes to the credit card charges amount to less than $10,000 a year.

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. The Group tries to maintain a $10 million cash by the end of each financial year. As and when required the Group uses financing facilities as detailed in Note 25.

LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Company's and 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 Company/Group can be required to pay. The table includes both interest and principal cash flows.

CONSOLIDATED	Weighted average effective interest rate %	1 month $'000	1-3 months $'000	3 months to a year $'000	1-5 years $'000	5+ years $'000
2009						
Non-interest bearing	-	14,883	-	-	-	-
Finance lease liability	7.50%	155	465	1,097	-	-
		15,038	**465**	**1,097**	**-**	**-**
2008						
Non-interest bearing	-	16,286	-	-	-	-
Finance lease liability	7.50%	181	362	1,465	1,717	-
		16,467	**362**	**1,465**	**1,717**	**-**

COMPANY	Weighted average effective interest rate %	1 month $'000	1-3 months $'000	3 months to a year $'000	1-5 years $'000	5+ years $'000
2009						
Non-interest bearing	-	12,720	-	-	-	-
2008						
Non-interest bearing	-	13,017	-	-	-	-

26. FINANCIAL INSTRUMENTS (CONTINUED)

The following table details the Company's and the Group's expected maturity for its non-derivative financial assets. The amounts below disclosed are based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

CONSOLIDATED	Weighted average effective interest rate %	1 month $'000	1-3 months $'000	3 months to a year $'000	1-5 years $'000	5+ years $'000
2009						
Interest bearing	5.00%	9	12	96	1,326	762
Non-interest bearing	-	8,312	9	40	173	-
		8,321	**21**	**136**	**1,499**	**762**
2008						
Non-interest bearing	-	12,993	-	96	1,352	286
		12,993	**-**	**96**	**1,352**	**286**

COMPANY	Weighted average effective interest rate %	1 month $'000	1-3 months $'000	3 months to a year $'000	1-5 years $'000	5+ years $'000
2009						
Interest bearing	5.00%	9	12	96	1,326	762
Non-interest bearing	-	9,663	9	40	173	34,877
		9,672	**21**	**136**	**1,499**	**35,639**
2008						
Non-interest bearing	-	9,910	-	96	1,352	41,867
		9,910	**-**	**96**	**1,352**	**41,867**

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement.

Apart from what is tabled below which are the Company's financial instruments the Group does not hold any other derivative financial instruments.

	1 month $'000	1-3 months $'000	3 months to a year $'000
2009			
Gross settled:			
Forward exchange contracts	-	-	-
2008			
Gross settled:			
Forward exchange contracts	2,796	2,808	6,504

(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 approximates their fair values.

27. SHARE-BASED PAYMENTS

EMPLOYEE SHARE OPTION PLAN

During the financial year, no options were granted to (2008: 665,698), nor exercised by (2008: 665,698) key management personnel for ordinary Rex shares. No options remain unpaid or to be exercised at year end.

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	-	-	677,830	95,913
Exercised during the financial year	-	-	665,698	94,196
Expired during the financial year	-	-	12,132	1,717
Balance at end of the financial year	-	-	-	-

28. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	1,306,068	1,695,657	1,306,068	1,695,657
Post-employment benefits	108,372	122,830	108,372	122,830
Other long-term benefits	5,192	6,994	5,192	6,994
Share-based payment	20,816	361,180	20,816	361,180
	1,440,448	**2,186,861**	**1,440,448**	**2,186,861**

29. RELATED PARTY TRANSACTIONS

(A) EQUITY INTERESTS IN SUBSIDIARIES

Details of interests in subsidiaries are disclosed in Note 23 to the financial statements.

(B) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

(i) KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are disclosed in Note 28 to the financial statements.

(ii) LOANS TO KEY MANAGEMENT PERSONNEL

There have been no loans made to key management personnel.

(iii) 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 Company:

	Balance at 1 July 2008	Movement	Balance at 30 June 2009
Directors:			
Lim Kim Hai	24,085,360	150,783	24,236,143
The Hon. John Sharp	400,000	-	400,000
James Davis	235,618	(43,187)	192,431
Russell Hodge	1,124,000	-	1,124,000
David Miller	55,000	35,460	90,460
Lee Thian Soo	11,449,362	-	11,449,362
Key management personnel:			
Warrick Lodge	167,902	(61,309)	106,593
Chris Hine	202,701	(41,560)	161,141
Irwin Tan	167,072	(160,467)	6,605
Dale Hall	16,127	5,945	22,072
Garry Filmer	3,621	2,796	6,417
Mayooran Thanabalasingham	53,757	5,426	59,183

During the financial year, no options were granted to (2008: 665,698), nor exercised by (2008: 665,698) key management personnel for ordinary Rex shares. No options remain unpaid or to be exercised at year end.

(C) TRANSACTIONS WITH OTHER RELATED PARTIES

During the financial year, the following transactions occurred between the Company and its other related parties.

The Company recognised revenue, or expense from Air Link Pty Ltd for
- lease of aircraft, revenue of $338 thousand (2008: $416 thousand)
- contract ground handling services, expense of $252 thousand (2008: $253 thousand)

The Company recognised revenue from Pel-Air Aviation Pty Ltd for
- lease of aircraft, $1,278 thousand (2008: $368 thousand)
- maintenance of aircraft, $543 thousand (2008: nil)
- rental of premises, $236 thousand (2008: $39 thousand)

The Company recognised revenue from Australian Airline Pilot Academy Pty Ltd for
- secondment of staff, $784 thousand (2008: $139 thousand)
- provision of accounting and administration services, $60 thousand (2008: $30 thousand)

30. REMUNERATION OF AUDITORS

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Auditor of the parent entity				
Audit and review of the financial report	206,000	224,000	142,000	168,000
Other non-audit services - tax compliance	49,000	57,000	49,000	54,000
	255,000	**281,000**	**191,000**	**222,000**

The auditor of the Company and the Group is Deloitte Touche Tohmatsu.

31. SUBSEQUENT EVENTS

On 31 July 2009, Pel-Air Aviation Pty Ltd was awarded the Jacinth-Ambrosia Project Fly-in/Fly-out charter contract on behalf of Iluka Resources.

On 13 August 2009, Rex announced that it would commence passenger services in Northern Queensland between Townsville and Mackay from 1 October 2009.

32. SEGMENT INFORMATION

The consolidated entity continues to operate in one segment being the provision of air transport of passengers and freight for both public and private use and operates in only one geographical segment being Australia.

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;

(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 Company and the consolidated entity; and

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

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

James Davis
Managing Director
Sydney, 26 August 2009

REGULATORY REPORTS

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Regional Express Holdings Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 71.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Regional Express Holdings Limited is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in Note 19 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Regional Express Holdings Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Catherine Hill

Catherine Hill
Partner
Chartered Accountants
Sydney, 26 August 2009

CORPORATE GOVERNANCE STATEMENT

The Board is committed to sound corporate governance to ensure shareholder expectations are met and that Regional Express Holdings' (the Company) policies and procedures are aligned 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 financial year to 30 June 2009 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.

PRINCIPLE 1 : LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a charter that details the roles and responsibilities of the Board and its members and their relationship with the Management Committee to achieve the objectives of delivering shareholder value. The Board's Charter, Board Committee Charters, 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 1.1*)

The performances of each Management Committee member is evaluated against goals and objectives at least once a year with the assistance of the Remuneration and Nomination Committee (*ASX Recommendation 1.2*). The performance of the Management Committee was reviewed in FY 2009 (*ASX Recommendation 1.3*).

PRINCIPLE 2 : STRUCTURE THE BOARD TO ADD VALUE

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 Director's Report.

The membership of the Board during the year ended 30 June 2009, including independence status was as follows:

Director	Status	Date of Appointment
Lim Kim Hai	Executive Chairman	27 June 2003 Re-appointed on 16 November 2006
The Hon. John Sharp	Deputy Chairman and Independent Director	14 April 2005
James Davis	Managing Director	27 May 2008
Russell Hodge	Independent Director	31 March 2008
David Miller	Executive Director	26 February 2007
Lee Thian Soo	Non-Executive Director	27 June 2003 Re-appointed on 16 November 2006

The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors (*ASX Recommendation 2.1*). Although the Board has only two directors out of six that qualify as independent non-executive directors, Lee Thian Soo is non- executive and is only considered non independent by virtue of his share ownership. David Miller is only involved in management of a very small part of the business. The Board believes that every director on the current Board will make decisions in the best interests of all shareholders and the Company 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 Recommendation 2.2 and 2.3*), however, the Board views the Chairman's proven history of leadership of the company and the trust and respect he enjoys amongst the staff, shareholders and the investment community as an advantage, both at the management level and at the Board level that has resulted in performance that matches that of the best airlines in the world.

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, managing the performance of the Chief Executive 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.

(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 per year 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 management policies.

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 Remuneration and Nomination 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. (*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 Remuneration and Nomination Committee, the Board will review and approve the remuneration of the Company's executive and non-executive directors.

The **Remuneration and Nomination Committee** has been established by the Board of the Company (*ASX recommendation 2.4 and 8.1*) 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;
- review and advise the Board on the composition of the Board and its Committees;
- review the performance of the Board, the chairman of the Board, the executive and non-executive directors, and other individual members of the Board; and
- ensure that proper succession plans are in place for consideration by the Board.

This Committee is chaired by the Hon. John Sharp and has one other member, James Davis. The Committee had two meetings during the financial year attended by all members of the Committee. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report.

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

The Board acknowledges the ASX recommendations to have the Committee compose of a majority of independent directors and have at least three members.

The Committee is currently made up of two directors of which one is the Managing Director. The Board feels at this stage that two members are sufficient for the Remuneration and Nomination committee given the size of the Company and Board. The Board also feels that James Davis, while not an independent director will still make decisions that are in the best interests of the shareholders in his duty as Remuneration and Nomination committee member. Having had first hand experience working with the members of the Management Committee and various members of the Company's management, he would be in the best position to make recommendations to the Board based on those experiences.
The Remuneration and Nomination Committee has a formal Charter which is available on the Company's website.

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.

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. Under this policy, Directors and Management Committee are prohibited from trading in securities of the Company without prior approval from the Board (*ASX Recommendation 3.2*).

The Code of Conduct and Share Trading Policy are available on the Company's website (*ASX Recommendation 3.3*)

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.

This Committee is chaired by Lee Thian Soo and has one other member, the Hon. John Sharp. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report. The Committee had two meetings during the financial year attended by all members of the Committee.

The Board acknowledges the ASX recommendations to have the Committee compose of a majority of independent directors, is chaired by an independent director and have at least three members (*ASX Recommendation 4.2*).

The Committee is currently made up of two non-executive directors of which one is non-independent. This director, who is also the chair of the committee, is only considered non-independent by virtue of his share ownership. 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 4.3*).

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 Recommendations 5.1 and 5.2*). The Continuous Disclosure Policy is available on the Company's website. In the year under consideration, the Board made 107 disclosures to the ASX.

PRINCIPLE 6 : RESPECT THE RIGHTS 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, quarterly investor briefings and the Annual General Meeting (and any extraordinary meetings held by the Company). Shareholders are encouraged to participate in quarterly investor briefings either by attendance or by dialling in through the companies teleconferencing facilities and are invited to put questions to the Chairman of the Board in that forum. 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*) as well as the entire proceedings at each investor briefings.

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.

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 Certificate holder within the Group; and
- implementing and supervising the Group's operational risk assessment framework. This includes the definition and continuous review of the Group's Risk Assessment register.

This Committee is chaired by Russell Hodge and has one other member, David Miller. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report.

The Safety and Risk Management Committee has a formal Charter which sets out the responsibilities of the Committee as well as the Company's policies on risk oversight and management. The Charter 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*)

The Managing Director and the 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 7.3*).

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 the Managing Director and GM Corporate Services to provide the statement.

PRINCIPLE 8 : REMUNERATE FAIRLY AND RESPONSIBLY

The Board has established a Remuneration and Nomination 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.

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

ASX ADDITIONAL INFORMATION AS AT 25 AUGUST 2009

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

112,901,569 fully paid ordinary shares are held by 2,705 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Fully paid ordinary shares		
	Investors	Securities	Issued capital (%)
1 – 1,000	528	345,307	19.5
1,001 – 5,000	1,387	3,920,829	51.3
5,001 – 10,000	360	2,956,026	13.3
10,001 – 100,000	377	10,924,627	13.9
100,001 and over	53	94,754,780	1.9
Total	**2,705**	**112,901,569**	**100.0**

SUBSTANTIAL SHAREHOLDERS

	Fully paid	
Ordinary shareholders	Number	Percentage
Kim Hai Lim	18,480,630	16.37%
Joe Tiau Tjoa	16,234,094	14.38%
Thian Soo Lee	7,722,181	6.84%
Joo Chye Chua	7,454,362	6.60%
Ming Yew See Toh & Hui Ing Tjoa	7,454,362	6.60%
Hui Ling Tjoa	5,755,513	5.10%

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Fully paid	
Ordinary shareholders	Number	Percentage
Kim Hai Lim	18,480,630	16.37%
Joe Tiau Tjoa	16,234,094	14.38%
Thian Soo Lee	7,722,181	6.84%
Joo Chye Chua	7,454,362	6.60%
Ming Yew See Toh & Hui Ing Tjoa	7,454,362	6.60%
Hui Ling Tjoa	5,755,513	5.10%
Lay Khim Ng	3,727,181	3.30%
Rex Investment Holdings Pty Limited	3,580,275	3.17%
National Nominees Limited	3,065,205	2.71%
Citicorp Nominees Pty Limited	2,738,755	2.43%
Mirrabooka Investments Limited	2,000,000	1.77%
Thian Song Tjoa	1,507,046	1.33%
Equity Investments (ACT) Pty Limited	1,271,209	1.13%
Kok Leong Lee	1,050,000	0.93%
Jowong Pty Limited	900,000	0.80%
Mastar Pty Limited	850,000	0.75%
SCJ Pty Ltd	800,000	0.71%
Gwynvill Trading Pty Limited	634,670	0.56%
Strategic Value Pty Ltd	604,171	0.54%
Kerk Chuan Seah	561,616	0.50%


Regional Express

REX GROUP OF COMPANIES: