

# 13

**HALF-YEAR FINANCIAL REPORT**  
REGIONAL EXPRESS HOLDINGS LIMITED ACN 099 547 270 (ASX CODE: REX)



# **REGIONAL EXPRESS HOLDINGS LIMITED**

ACN 099 547 270 (ASX CODE: REX)

APPENDIX 4D: RESULTS FOR ANNOUNCEMENT TO THE MARKET AND HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2012 \$M	31 Dec 2011 \$M	Change \$M	Change %
Revenue	135.4	139.1	-3.7	-2.7
Profit from ordinary activities after tax attributable to members	9.0	13.4	-4.4	-32.8
Net profit for the period attributable to members	9.0	13.4	-4.4	-32.8
	Amount per share		Franked amount per share	
Interim dividend	Nil		Nil	
Final dividend	Nil		Nil	
Record date for determining entitlements	NA		NA	
	31 Dec 2012 \$	31 Dec 2011 \$	Change %	
Net tangible assets per ordinary share	1.52	1.42	7.0	

## EXPLANATION OF RESULTS

The first half of the Financial Year (FY) saw the passenger airline's Available Seat Kilometres (ASKs) at approximately the same level as the same period last year. Passenger numbers fell by 5.0% due to sluggish economic conditions and higher ticket prices, both of which were due in large part to the introduction of the carbon tax and other draconian policies at the beginning of FY 2013. As a result, the Group's revenue reduced by 2.7% to \$135.4M.

Total costs over this period increased by 2.4% to \$124.6M. This was primarily due to the carbon tax (\$1.3M), cessation of the En-route Rebate Scheme (\$1.0M), higher engineering cost (\$1.2M) and a higher wage bill (\$1.3M) arising from the new Enterprise and collective agreements. This was compensated by over \$1.5M of productivity gains and \$0.4M lower fuel cost which brought the final increase to only \$2.9M.

As foreshadowed in the profit warning issued at the AGM on 27 November 2012, the Group's profit before tax for the period slumped by 32.6% to \$12.5M.

# CONTENTS

DIRECTORS' REPORT	3
REVIEW OF OPERATIONS	3-4
AUDITOR'S INDEPENDENCE DECLARATION	5
INDEPENDENT AUDITOR'S REPORT	6-7
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	10
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	12-15
DIRECTORS' DECLARATION	16

The directors of Regional Express Holdings Limited ('Rex') submit herewith the financial report for the half-year ended 31 December 2012.

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

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

## REVIEW OF OPERATIONS

### Summary Review

The first half saw the commencement of new Broken Hill and Mildura services from mid July and this followed the cessation of the Melbourne to Griffith route at the end of FY 2012. Elsewhere around the network, capacity levels remained quite stable. Passenger numbers declined 5% in the period which resulted in a drop in load factor by 3.3 percentage points.

Fuel cost increased 4.9% over the period mainly due to the increased excise duty associated with the carbon tax. This along with increases in port cost (cessation of En-route Rebate Scheme), engineering cost and manpower expenses resulted in the overall cost base increasing 2.4%.

Rex placed deposits for a further six Saab 340 B-plus aircraft at lease end in July 2013 and March 2014, bringing the number of aircraft secured for purchase when they come off lease to eight.

Whilst pilot resignation rates were in line with historical average, Rex suffered higher Captain attrition for the period under review. This has resulted in a higher than normal flight cancellation rate in comparison to the industry leading low cancellation rates that Rex has historically achieved.

Rex's wholly owned subsidiary Pel-Air Aviation Pty Ltd turned in slightly higher profits and secured/extended new mining charters in this period.

### Key Performance Indicators Table

	1H FY13	1H FY12	Change
Passengers	577,873	608,499	-5.0%
ASK	384.6 M	384.0 M	-0.2%
Load Factor	56.8 %	60.1%	-3.3% pts
Passenger Revenue/ASK	28.4c	28.8c	-1.4%
Total pax cost/ASK	27.9c	27.3c	+2.2%
Fuel % Total Cost	16.3%	15.9%	+0.4% pts

### Route Network Developments

On the back of withdrawing from the Griffith to Melbourne route at the end of FY 2012, Rex embarked on new Broken Hill and Mildura services commencing from 9 July 2012. With selected Adelaide to Broken Hill and Sydney to Broken Hill services operating via Mildura, the new routes of Adelaide to Mildura, Sydney to Mildura, Broken Hill to Mildura and Broken Hill to Melbourne (via Mildura) were created. Importantly for the city of Mildura, this initiative saw the number of directly serviced destinations increase from Melbourne only, to also include direct services to Adelaide, Broken Hill and Sydney. In addition, the city of Broken Hill received a much awaited Broken Hill to Melbourne (via Mildura) service in addition to increased flight frequency on the existing Broken Hill to Adelaide and Sydney routes.

## DIRECTORS' REPORT

Elsewhere around the network, capacity expressed by ASKs declined slightly which saw total ASKs fall by -0.2% in the period. Excluding the network changes that were implemented in FY 2012, that included the commencement of Newcastle services, increased frequency to Orange and the exit from the Griffith to Melbourne route, there were no significant capacity changes to other routes apart from minor capacity variations (changed frequency) to better match supply and demand.

During the first half of FY 2013 there were no changes to Rex's competitive position.

### Fleet Changes

	SAAB 340A Owned	SAAB 340A Freighters Owned	SAAB 340B Owned	SAAB 340B and B+ Leased	Total Leased	Total Owned	Total Fleet
As at 31 Dec 12	1	3	22	25	25	26	51
As at 30 Jun 12	1	3	22	25	25	26	51

### Community, Environment and Service Standards

In the first half of FY 2013, Rex's On Time Departure rate of 85.78% was ranked the best of all the major carriers in Australia according to the Bureau of Infrastructure, Transport and Regional Development (BITRE). Rex's higher than normal cancellation rate of 0.66% was due to the high Captain attrition.

Rex was ranked as the Best Domestic Airline for Customer Satisfaction for the month of July and August 2012 in the Roy Morgan Customer Satisfaction Awards. Rex received an 88% satisfaction rating in July ahead of Qantas, Jetstar, Virgin Australia and Tiger Airways and achieved an 86% satisfaction rating in August ahead of Virgin Australia, Qantas and Jetstar.

Rex continued to demonstrate its commitment in giving back to the regional communities, contributing \$141,260 to various worthy causes, ranging from fundraisers to important community events.

The fifth public report under the Government's Energy Efficiency opportunities programme was approved by the Department of Resources, Energy and Tourism.

Rex registered for the NGER (National Greenhouse and Energy reporting) program on 25 Feb 2009 and has since submitted NGER reports for FY 2009, FY 2010, FY 2011 and FY 2012

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 of the half-year report.

### ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors



Garry Filmer

Chief Operating Officer

Sydney, 27 February 2013

# AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

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

27 February 2013

Dear Board Members

## **Regional Express Holdings Limited**

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

As lead audit partner for the review of the financial statements of Regional Express Holdings Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Catherine Hill  
Partner  
Chartered Accountants



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

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

We have reviewed the accompanying half-year financial report of Regional Express Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 16.

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

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Regional Express Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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





*Auditor's Independence Declaration*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "Catherine Hill".

Catherine Hill  
Partner  
Chartered Accountants  
Sydney, 27 February 2013

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	HALF-YEAR ENDED	
		31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Continuing operations</b>			
Passenger revenue		109,156	110,523
Freight revenue		498	485
Charter revenue		19,729	21,962
Other passenger services and amenities		1,354	1,412
Other revenue		4,637	4,683
<b>Total revenue</b>		<b>135,374</b>	<b>139,065</b>
<b>Finance income</b>		<b>1,030</b>	<b>663</b>
<b>Other gains and losses</b>		<b>655</b>	<b>441</b>
Flight and port operation costs (excluding fuel)		(25,334)	(25,060)
Fuel costs		(20,292)	(19,349)
Salaries and employee-related costs		(48,319)	(47,000)
Selling and marketing costs		(2,738)	(2,669)
Engineering and maintenance costs		(16,017)	(14,840)
Office and general administration costs		(3,297)	(4,084)
Finance costs		(662)	(766)
Depreciation and amortisation		(7,934)	(7,900)
<b>Total costs and expenses</b>		<b>(124,593)</b>	<b>(121,668)</b>
<b>Profit before income tax</b>		<b>12,466</b>	<b>18,501</b>
Income tax expense		(3,428)	(5,135)
<b>Profit after tax from continuing operations</b>		<b>9,038</b>	<b>13,366</b>
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive income for the period</b>		<b>9,038</b>	<b>13,366</b>
<b>Earnings per share</b>			
Basic (cents per share)		8.27	12.00
Diluted (cents per share)		8.27	12.00

Notes to the financial statements are included on pages 12 to 15.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	CONSOLIDATED	
		31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>Current assets</b>			
Cash and bank balances		35,211	43,272
Trade and other receivables		14,483	13,219
Available for sale investments carried at fair value – shares		10	10
Inventories		13,046	11,946
<b>Total current assets</b>		<b>62,750</b>	<b>68,447</b>
<b>Non-current assets</b>			
Other financial assets		11	11
Other receivables		7,849	7,038
Property, plant and equipment			
Aircraft		97,483	100,739
Other property, plant and equipment		75,794	75,937
Goodwill and intangible assets		8,304	7,399
<b>Total non-current assets</b>		<b>189,441</b>	<b>191,124</b>
<b>Total assets</b>		<b>252,191</b>	<b>259,571</b>
<b>Current liabilities</b>			
Trade and other payables		20,812	19,595
Unearned revenue		16,795	19,189
Borrowings		2,137	2,042
Current tax payable		1,665	6,265
Provisions		6,248	7,716
Other liabilities		656	37
<b>Total current liabilities</b>		<b>48,313</b>	<b>54,844</b>
<b>Non-current liabilities</b>			
Borrowings		24,016	25,100
Provisions		2,537	2,031
Deferred tax liabilities		1,643	897
<b>Total non-current liabilities</b>		<b>28,196</b>	<b>28,028</b>
<b>Total liabilities</b>		<b>76,509</b>	<b>82,872</b>
<b>Net assets</b>		<b>175,682</b>	<b>176,699</b>
<b>Equity</b>			
Issued capital	5	71,959	71,959
Reserved shares	5	(1,444)	(1,816)
Retained earnings		103,175	103,960
Share-based payments reserve		402	1,006
Other reserves		1,590	1,590
<b>Total equity</b>		<b>175,682</b>	<b>176,699</b>

Notes to the financial statements are included on pages 12 to 15.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	HALF-YEAR ENDED	
	31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	147,181	147,308
Payments to suppliers, employees and others	(128,879)	(128,274)
Interest paid	(1,124)	(1,315)
Income tax paid	(7,282)	(2,953)
<b>Net cash flows from operating activities</b>	<b>9,896</b>	<b>14,766</b>
<b>Cash flows from investing activities</b>		
Interest received	1,030	663
Proceeds from disposal of property, plant and equipment	2	897
Payments for property, plant and equipment - aircraft and other	(6,753)	(5,449)
Payments for intangibles	(973)	(30)
<b>Net cash flows used in investing activities</b>	<b>(6,694)</b>	<b>(3,919)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(9,823)	(7,806)
Share buy-back	-	(1,458)
Purchase of reserved shares	(316)	-
Salary sacrifice - payment for shares	3	7
Cash settled share-based payment	(138)	-
Repayment of borrowings - non-related parties	(989)	(901)
<b>Net cash flows used in financing activities</b>	<b>(11,263)</b>	<b>(10,158)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(8,061)</b>	<b>689</b>
<b>Cash at the beginning of the period</b>	<b>43,272</b>	<b>19,032</b>
<b>Cash at the end of the period</b>	<b>35,211</b>	<b>19,721</b>

Notes to the financial statements are included on pages 12 to 15.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Attributable to equity holders of the Company

	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	General reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2011</b>	<b>74,659</b>	<b>(2,358)</b>	<b>86,269</b>	<b>607</b>	-	<b>1,590</b>	<b>160,767</b>
Profit for the period	-	-	13,366	-	-	-	13,366
Other comprehensive income (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	13,366	-	-	-	13,366
Dividends paid	-	-	(7,806)	-	-	-	(7,806)
Share buy-back	(1,458)	-	-	-	-	-	(1,458)
Share gift issued - gift	-	531	-	(531)	-	-	-
Share gift issued - salary sacrifice	-	7	-	-	-	-	7
Share gift - transfer to provision on amendment of EBA	-	-	-	-	-	-	-
Share gift plan provision	-	-	-	325	-	-	325
<b>At 31 December 2011</b>	<b>73,201</b>	<b>(1,820)</b>	<b>91,829</b>	<b>401</b>	-	<b>1,590</b>	<b>165,201</b>
<b>At 1 July 2012</b>	<b>71,959</b>	<b>(1,816)</b>	<b>103,960</b>	<b>1,006</b>	-	<b>1,590</b>	<b>176,699</b>
Profit for the period	-	-	9,038	-	-	-	9,038
Other comprehensive income (net of tax)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	9,038	-	-	-	9,038
Dividends paid	-	-	(9,823)	-	-	-	(9,823)
Share buy-back	-	-	-	-	-	-	-
Shares purchased as reserve shares	-	(316)	-	-	-	-	(316)
Share gift issued - gift	-	685	-	(685)	-	-	-
Share gift issued - salary sacrifice	-	3	-	-	-	-	3
Share gift - transfer to provision on amendment of EBA	-	-	-	(138)	-	-	(138)
Share gift plan provision	-	-	-	219	-	-	219
<b>At 31 December 2012</b>	<b>71,959</b>	<b>(1,444)</b>	<b>103,175</b>	<b>402</b>	-	<b>1,590</b>	<b>175,682</b>

Notes to the financial statements are included on pages 12 to 15.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

#### Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income'

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. SEGMENT INFORMATION

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

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

- Regular public transport
- Charter
- Training

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

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

	REVENUE HALF-YEAR ENDED		SEGMENT RESULT HALF-YEAR ENDED	
	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Continuing operations</b>				
Regular public transport	113,975	116,967	12,568	19,930
Charter	19,589	20,164	2,348	2,426
Training	1,810	1,934	(176)	(109)
	<b>135,374</b>	<b>139,065</b>	<b>14,740</b>	<b>22,247</b>
Finance income	1,030	663	1,030	663
Other gains and losses	655	441	655	441
Central administration costs and directors' salaries			(3,297)	(4,084)
Finance costs			(662)	(766)
Profit before tax			12,466	18,501
Income tax expense			(3,428)	(5,135)
<b>Consolidated segment revenue and profit</b>	<b>137,059</b>	<b>140,169</b>	<b>9,038</b>	<b>13,366</b>

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

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

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

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>Continuing operations</b>		
Regular public transport assets	161,538	166,406
Charter assets	82,214	84,591
Training assets	8,439	8,574
<b>Total assets</b>	<b>252,191</b>	<b>259,571</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. BORROWINGS

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

## 4. DIVIDENDS

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

	HALF-YEAR ENDED			
	31 Dec 2012		31 Dec 2011	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
Final dividend	9.0	9,823	7.1	7,806

## 5. ISSUED CAPITAL

	31 Dec 2012 \$'000	30 June 2012 \$'000
<b>Ordinary shares</b>		
Issued and fully paid	71,959	74,659
Share buy-back	-	(2,693)
Cost of share buy-back	-	(7)
	<b>71,959</b>	<b>71,959</b>
<b>Reserved shares</b>	<b>(1,444)</b>	<b>(1,816)</b>
	<b>No. '000</b>	<b>No. '000</b>
Issued and fully paid	110,090	110,090
Reserved shares	621	954



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

During the current reporting period, 629 thousand shares (2011:575 thousand) were issued to employees under the Employee Share Gift Scheme from the Company's reserved shares, and 296 thousand shares (2011: Nil) were re-purchased as reserved shares.

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

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

## 7. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition during the interim period, a cash bonus amounting to \$345 thousand (2011: \$300 thousand) was recommended by the Nomination and Remuneration Committee be paid to key management personnel

## 8. CONTINGENCIES AND COMMITMENTS

During the current reporting period, the Company has placed deposits to purchase a further six Saab 340 B-plus aircraft at lease end in July 2013. Including the commitment for two Saab 340 B-plus as reported in 2012 annual report, the total commitment is for eight Saab 340 B-plus.

## 9. SUBSEQUENT EVENTS

Regional Express Holdings Ltd has committed to purchase a further eight Saab 340 B-plus aircraft at lease end in March 2014. Including the commitment for eight Saab 340 B-plus as reported in Note 8, the total commitment is for sixteen Saab 340 B-plus.

Regional Express Holdings has committed to purchase a 241 square meter property adjoining current Rex buildings on Robey Street and Baxter Road in Mascot NSW.

Air Link Pty Ltd has received payment for the sale of a Piper Chieftain aircraft. The sale is scheduled to be completed in the third quarter.

Pel-Air Aviation Pty Ltd's service agreement with Ivanhoe Australia Ltd was terminated on 28 February 2013.

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

## DIRECTORS' DECLARATION

The directors declare that:

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

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

On behalf of the Directors

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

Garry Filmer

Chief Operating Officer

Sydney, 27 February 2013

13

**REX GROUP OF COMPANIES:**

