SHIFTING WINDS

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

REGIONAL EXPRESS HOLDINGS LIMITED

rex. Regional Express

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

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

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

- All staff members must embrace the 'can do' and 'will do' spirit that has been the defining characteristic of our initial success.
- 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.

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.

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.

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

SHIFTING WINDS

The Financial Year (FY) 19 started well, with strong momentum from the prior year, which had a 41% rise in earnings, carrying into the first half of the FY2019. However, the Australian economy, in tandem with the rest of the world's economies, started faltering in November 2018 when the United States started imposing massive trade tariffs on China. Rex was similarly affected and finished the 1H FY2019 with only 7.7% improvement while Qantas had a 16.3% reduction in profits.

The world economic situation worsened sharply in the 2H FY2019, with even more tariffs imposed by the United States, oil prices spiralling upwards and extreme tensions at the Straits of Hormuz. The United States, which was having a dream run in its economy, is also now facing a technical recession in its manufacturing, having had two-quarters of negative growth. Singapore's exports are at their lowest levels since the Global Financial Crisis, and Australia's third-quarter economic growth slowed to a decade low of 0.4% with the FY's (already revised downwards) outlook of 1.8% to be looking increasingly unachievable. It is no wonder that the Organisation for Economic Co-operation and Development (OECD) has recently revised downwards by 20% its estimate of world economic growth.

Not surprisingly, the majority of the major carriers worldwide are reporting steep declines in profits. Singapore Airlines closed its financial year on 31 March 2019 with profits down by over 40% and reported a further 20% decline in the latest quarter to 30 June 2019. Closer to home, QANTAS reported a 6.5% decrease in profits.

In this backdrop, I am pleased that Rex is still able to maintain the same level of profitability as the prior FY with the strong momentum of the first half just about balancing the downward pressures of the second half.

Rex will not be spared the full brunt of the global headwinds in the new FY, and our profits could be eroded by 15-20% as things stand. However, with virtually no debt and very strong foundations, we are confident that Rex will have the wherewithal to wait out this slowdown just as Rex traversed the period following the Global Financial Crisis while still making operational profits every year.

Not all is gloomy on the horizon. Surprisingly mining activities seem to be re-gaining momentum, and there is a good chance that the Group could pick up some additional charter operations. Also, pilot training is still facing strong worldwide demand and talks are underway with international partners to train more pilots for international carriers at the Group's pilot academy, AAPA, based in Wagga Wagga.

Notwithstanding the very uncertain year ahead, the Board is confident of the Group's ability to continue to generate strong positive cash flow in the new FY and has therefore recommended a dividend of 8 cents per share.

The Board wishes to put on record its special vote of thanks to Management and staff for their tireless efforts and sacrifices in keeping the show going in this period of the continued pilot shortage.

Lim Kim Hai
Executive Chairman
23 August 2019

LIM KIM HAI
EXECUTIVE CHAIRMAN

CORPORATE

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

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

DIRECTORS
Lim Kim Hai
The Hon. John Sharp AM
Lee Thian Soo
Neville Howell
Chris Hine
James Davis
Prof. Ronald Bartsch

COMPANY SECRETARIES
Irwin Tan
Benjamin Ng
Richard Kwan

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BANKER
Westpac Banking Corporation

AUDITOR
Deloitte Touche Tohmatsu

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DIRECTORS' REPORT

1 BOARD OF DIRECTORS

In compliance with the provisions of the Corporations Act 2001, the directors of Regional Express Holdings Limited ('Rex') submit herewith the annual report for Rex and its consolidated entities (the 'Group') for the Financial Year ended 30 June 2019 (FY2019).

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

LIM KIM HAI

Executive Chairman

Appointed 27 June 2003 and re-appointed 16 November 2006, 25 November 2009, 27 November 2012, 27 November 2015 and 21 November 2018.

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

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

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

THE HON. JOHN SHARP AM

Deputy Chairman and Independent Director

Appointed 14 April 2005 and re-appointed 19 November 2008, 23 November 2011, 27 November 2013 and 29 November 2016.

The Honourable John Sharp AM 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). He retired from the House of Representatives in 1998 and established his own high-level aviation and transport consulting company. Mr Sharp is a former Chairman of the Aviation Safety Foundation of Australia. In 2001, he became a director of Airbus Group, Australia Pacific, a position he retired from in June 2015. He has retired as Chairman of the Parsons Brinkerhoff Advisory Board, an engineering and design company operating throughout Australia and the region. He is Chairman of Pel-Air Aviation Pty Ltd and is also a director of Power and Data Corporation Pty Limited and a director of Lurssen Australia and a director of the Australian Maritime Shipbuilding Export Group.

Mr Sharp is a Trustee and Board Member of John McKeown House. He was Honorary Federal Treasurer, National Party of Australia from 1999 to 2017 and has retired as Chairman of Winifred West Schools Foundation. He has been a member of the University of Wollongong Vice Chancellor's Advisory Board. He is also currently a director of the Tudor House Foundation. Mr Sharp was appointed a director of the Flight Safety Foundation following his receipt of the Foundation's Presidential Citation for Aviation Safety, the first Australian to receive this award. He has been a director of the French, Australian Chamber of Commerce and Industry, and Co-Chair of the Cancer Council of NSW Southern Highlands Branch. He is currently a director of the Climate Change Authority.

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

Mr Sharp was named a Member of the Order of Australia for significant service to the people and Parliament of Australia, to the aviation industry, and the community during Queen's Birthday Honours in June 2018.

LEE THIAN SOO

Non-Executive Director

Appointed 27 June 2003 and re-appointed 16 November 2006, 25 November 2009, 27 November 2012, 27 November 2015 and 21 November 2018.

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

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

NEVILLE HOWELL

Chief Operating Officer

Appointed 1 July 2014 as Executive Director, re-appointed 26 November 2014 and 21 November 2017.

Mr Howell has over 38 years of aviation experience and has been with the Company since its inception in August 2002. He operated the Saab 340 as a First Officer and Captain for over 18 years for both Hazelton Airlines and Regional Express. Prior to his role as General Manager Flight Operations (GMFO) and Chief Pilot, Mr Howell was Manager Training & Checking and Deputy Chief Pilot. He is an extensively qualified and experienced simulator and aircraft instructor and has held positions as both Training and Check Captain. Mr Howell was the Chief Flying Instructor and Chief Pilot for the first integrated pilot training academy in Australia and has provided cadet pilot training for both domestic and international carriers. He is a qualified lecturer in several aviation subjects and has a Diploma of Aviation. He has held many Civil Aviation Safety Authority (CASA) delegations since 1984. As GMFO Mr Howell was responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations.

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

CHRIS HINE

Group Flight Operations Advisor and Chairman, Australian Airline Pilot Academy

Appointed 1 March 2011 as Executive Director and re-appointed 23 November 2011.
Appointed 1 July 2014 as Non-Executive Director and re-appointed 26 November 2014.
Appointed Executive Director and Group Flight Operations Advisor 18 May 2015, and re-appointed 21 November 2017.

Mr Hine has over 25 years of aviation experience, including 15 years as a First Officer and Captain of Metroliner and Saab 340 aircraft and is a well-accomplished and knowledgeable instructor. He has been with the Company since its inception in August 2002 and is the Group Flight Operations Advisor, Chairman's Office and Executive Chairman of the Australian Airline Pilot Academy. Preceding his current role he was the Chief Operating Officer and General Manager Flight Operations and Chief Pilot. Prior to Rex he worked for Kendell Airlines from 1995, during which time he held various Check and Training Captain positions. As Chief Operating Officer he was responsible for the Company's operations including flight operations, maintenance control, airport operations and the human factors group. Mr Hine has also had experience as a lecturer in Cockpit Systems Management for the Bachelor of Applied Science (Civil Aviation) degree at the University of South Australia.

JAMES DAVIS

Independent Director

Appointed 26 August 2004 as Executive Director.
Appointed Managing Director on 27 May 2008 and retired 1 July 2011.
Appointed 23 November 2011 as an Independent Director, re-appointed 26 November 2014, and 21 November 2017.

Mr Davis has a degree in Aeronautical Engineering and commenced his aviation career with the Civil Aviation Safety Authority (CASA) before obtaining his Air Transport Pilot Licence. He subsequently flew with airlines in Australia and overseas for 26 years, accumulating some 12,500 flying hours. Mr Davis joined Hazelton Airlines in 1999 as Flight Operations and Standards Manager and later became Chief Pilot. He has been with Rex since its inception in 2002, occupying the positions of Executive General Manager Operations, Managing Director Operations, Chief of Staff of the Chairman's Office and Managing Director. Mr Davis is a former Chairman of the Australian Airline Pilot Academy Pty Ltd (AAPA) and a former Director of Rex Group company Pel-Air Aviation Pty Ltd. He is currently Chairman of the Regional Aviation Association of Australia (RAAA) and sits on the board of Airports Coordination Australia (ACA) Pty Ltd.

PROF. RONALD BARTSCH

Independent Director

Appointed 23 November 2010 and re-appointed 23 November 2011, 26 November 2014, and 21 November 2017.

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

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

2 SENIOR MANAGEMENT EXECUTIVES

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

NEVILLE HOWELL

Chief Operating Officer

Mr Howell is a member of the Rex Management Committee. A description of his qualifications, skills and experience is included on page 7.

WARRICK LODGE

General Manager, Network Strategy & Sales

Mr Lodge manages the 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. Mr Lodge has 27 years of regional airline experience in the specialised areas of scheduling, pricing and revenue management and held the position of Manager Network Planning with Kendell Airlines, having joined that company in 1992. Mr Lodge has been with Rex since its inception in 2002 and is also a member of the Rex Management Committee.

IRWIN TAN

General Manager, Corporate Services

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

MAYOORAN THANABALASINGAM

General Manager, Information Technology and Communications

Mr Thanabalasingam leads a team of Information Technology (IT) professionals responsible for ensuring day-to-day operations of the airline. With over 19 years of experience and an extensive background in information technology, he has managed a range of IT projects and initiatives for Rex including the Internet Booking Engine, the Amend Booking Engine, Web Check-in and numerous Mobile/iPad applications. Mr Thanabalasingam has a Masters of Business Administration (Computing) from Charles Sturt University. He also has a Graduate Certificate in Management (Information Technology) as well as an Associate Diploma of Electrical Engineering / Computer Engineering. He commenced with Rex in April 2004. Mr Thanabalasingam is a member of the Rex Management Committee and a Director of the Australian Airline Pilot Academy (AAPA).

PNG YEOW TAT

General Manager, Engineering

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

MARK BURGESS

Deputy General Manager, Engineering

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

Mr Burgess' career began as an apprentice in the British Armed Forces where he maintained helicopters for 12 years and left as a Senior Rank. He continued his career in the oil and gas industry with CHC Helicopters and also British Midland Regional Prop and Jet regular public transport (RPT) services. He migrated to Australia in 2001 to work for Kendell Airlines in Wagga Wagga and became Production Leader coordinating maintenance and manpower on heavy checks for Saab 340 aircraft. In 2008 Mr Burgess moved to Adelaide as the Line Maintenance Supervisor and oversaw the expansion of Rex maintenance activities from line to heavy maintenance. He is a member of the Rex Engineering Management Committee.

DAVID BROOKSBY

National Airports Manager

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

PAUL FISHER

General Manager, Flight Operations and Chief Pilot

Mr Fisher has over 29 years of aviation experience and has been with the Company since its inception in August 2002. He has operated the Saab 340 aircraft as a First Officer and Captain for over 19 years with both Hazelton Airlines and Regional Express. Prior to his role as General Manager Flight Operations (GMFO) and Chief Pilot, Mr Fisher served in various roles within the Training and Checking department including the Adelaide Flight Operations Manager, Flight Standards Manager and the Training & Checking Manager / Deputy Chief Pilot. He holds several Civil Aviation Safety Authority (CASA) delegations. As GMFO he is responsible for all facets of the Company's flight operations and all operational matters affecting the safety of flight operations.

03 DIRECTORSHIPS OF OTHER LISTED COMPANIES

During the year under review, no directors appointed as at 30 June 2019 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	18,998,346	5,755,513	-
The Hon. John Sharp AM	50,000	275,032	-
Lee Thian Soo	7,722,181	3,727,181	-
Neville Howell	27,936	-	-
Chris Hine	77,855	-	-
James Davis	200,866	-	-
Ronald Bartsch	-	-	-

05 DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the FY and the number of meetings attended by each director (while they were a director or committee member). During the FY, 4 Board meetings, 1 Remuneration, Nominations and Disciplinary Committee meetings, 2 Audit and Corporate Governance Committee meetings and 4 Safety and Risk Management Committee meetings were held.

Directors	Board	Remunerations, Nominations and Disciplinary Committee	Audit & Corporate Governance Committee	Safety & Risk Management Committee
No. of Meetings Held:	4	1	2	4
Attendance:				
Lim Kim Hai	4	-	-	-
The Hon. John Sharp AM	4	1	2	-
Lee Thian Soo	3	-	-	-
Neville Howell	4	-	-	4
Chris Hine	4	-	-	4
James Davis	4	1	2	-

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 21 to 23.

07 SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

No options were granted or exercised in FY2019.

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 Rex Company Secretary. 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 the cost controller for the Asia Pacific Region. Upon his return to Malaysia, he oversaw the controlling department of Cognis for three years. Mr Ng joined Rex in May 2006 and was appointed Company Secretary on 10 October 2007.

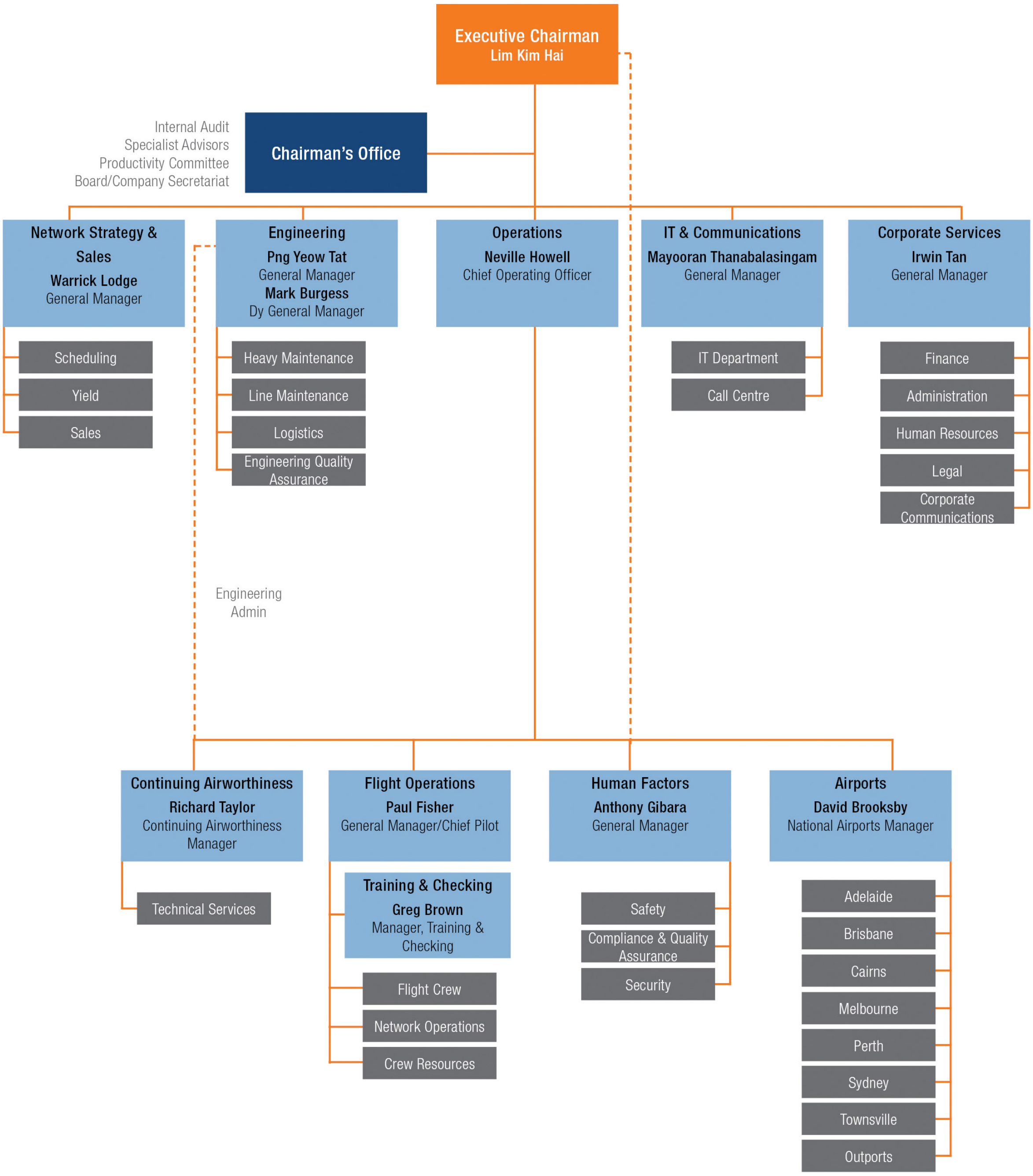
Mr Richard Kwan started his career with Rex after graduating with a Bachelor of Aviation (Hons) from the University of New South Wales (UNSW) in 2010. He has held various roles within the Corporate Services and Network Strategy & Sales departments. Specifically, Mr Kwan focusses on analysis, project and contract management within the Rex Group of companies, including the Queensland and Western Australia regulated routes and Pel-Air contracts. He has subsequently obtained a Master of Commerce from UNSW and has been certified as a PRINCE2 Practitioner. Mr Kwan was appointed Company Secretary on 26 September 2016.

10 PRINCIPAL ACTIVITIES

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

11 ORGANISATION & GROUP STRUCTURES

REGIONAL EXPRESS AIRLINE ORGANISATION STRUCTURE



REGIONAL EXPRESS GROUP HOLDINGS STRUCTURE

Holds an Air Operator's Certificate (AOC)

12 REVIEW OF OPERATIONS

SUMMARY

At the commencement of FY2019, the Rex RPT network serviced 60 airports throughout all states of Australia. In FY2019, partnership agreements were either renewed or entered into with the regional councils that own and operate the following regional airports: Albany, Armidale, Bamaga (NPA), Bathurst, Ballina, Broken Hill, Burnie, Carnarvon, Ceduna, Coober Pedy, Esperance, Grafton, Griffith, Kangaroo Island, Mildura, Monkey Mia (Shark Bay), Moruya, Mount Gambier, Narrandera-Leeton, Newcastle, Orange, Parkes, Cooma (Snowy Mountains).

The Rex Community Fare Scheme is an initiative pioneered by Rex as a way to ensure fare affordability and to foster passenger growth. As a result of partnership agreements with local councils and airport owners, Rex implemented the Rex Community Fare Scheme on the following routes during FY2019:

- Monkey Mia (Shark Bay) to Perth ($157)
- Carnarvon to Perth ($198)
- Mount Gambier to Adelaide ($129)
- Mount Gambierr to Melbourne ($129)
- Griffith to Sydney ($129)
- Narrandera-Leeton to Sydney ($129)
- Mildura to Adelaide ($128)
- Kangaroo Island to Adelaide ($99)
- Broken Hill to Melbourne ($199)

The above Rex Community Fares were in addition to those that were in place prior to the commencement of FY2019 which included the following routes:

- Albany to Perth ($139)
- Esperance to Perth ($139)
- Broken Hill to Sydney ($199)
- Broken Hill to Adelaide ($139)
- Burnie to Melbourne ($129)
- Moruya to Sydney ($119)
- Parkes to Sydney ($99)
- Cairns to Mount Isa ($200)
- Orange to Sydney ($109)

The Rex Community Fare Scheme has been highly successful in making regional air travel more affordable and on the above-mentioned routes between 15 and 30% of total passengers have taken advantage of the discounted fare scheme during FY2019.

This FY2019 saw a 50% drop in the pilot attrition rate compared to the prior year due to a slowing in domestic and international recruitment. For the period under review, Rex recruitment surpassed attrition by 27 pilots. Internal training was operating at full capacity and saw 27 pilots upgraded to the rank of Captain, and 66 pilots checked to line as First Officers.

The Saab 340 Full Flight Simulator (FFS) located at AAPA was in high demand this FY and recorded its highest utilisation rate since inception of 2126 hours. The FFS continues to optimise our training capabilities and provide significant cost savings to recurrent training and checking regulatory requirements. CASA has renewed the Flight Simulator Qualification Certificate until April 2020.

The in-house designed and developed Electronic Flight Bag (EFB) continues to provide operational efficiencies to all Saab 340 aircraft and flight crew across the Rex Group. Flight Attendants have been issued with iPads containing operational applications and access to the full suite of company manuals. An additional application now provides the Flight Attendants with an electronic passenger manifest and seat plan allowing for the removal of hard copy documents which transfers to cost savings and environmental benefits.

MATERIAL RISK AND RISK MANAGEMENT

The Company recognises that it has a responsibility to conduct its activities in an environmentally and socially responsible manner. The Group's Environmental Management Program available on the Rex website details the Environmental Management Program (EMP), incorporating the Group's environmental policy, targets, prevention of pollution, management strategies to mitigate the risk of environmental impact and continuous environmental improvement (ASX Recommendation 7.4).

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

- Fuel price – The Group hedged part of its fuel requirements in FY2019. The Group continues to closely monitor Brent Crude prices. The first half of FY2020 fuel requirement has been hedged.

- Foreign exchange rates – The Group's main financial risk is its exposure to the US dollar, and hence, its main objective is to minimise the impact of USD fluctuation on its operations. The Group hedged part of its USD requirements in FY2019, which has had a positive impact on its overall performance. The Group will continue to monitor the exchange rate closely and will hedge whenever the rates are favourable.

The Company also faces the risk of pilot attrition. This has been mitigated by the establishment of Rex's pilot cadet training programme which has been operating successfully from its pilot training academy, AAPA, in Wagga Wagga, NSW. More than half of the active pilot strength within Rex is made up of graduates from this programme.

ROUTE NETWORK DEVELOPMENTS

On 2 July 2018 Rex commenced services from Perth to Carnarvon and Monkey Mia (Shark Bay) under a Deed of Agreement with the Western Australian (WA) government which conferred on Rex the sole right to operate on the route for a term of five years.

Rex is servicing the route with 24 weekly services between Perth and Carnarvon and 12 weekly services between Perth and Monkey Mia, representing a 20% increase in flight frequency for Carnarvon, and a 50% increase in flight frequency for Monkey Mia in comparison with the flight frequency offered by the previous operator.

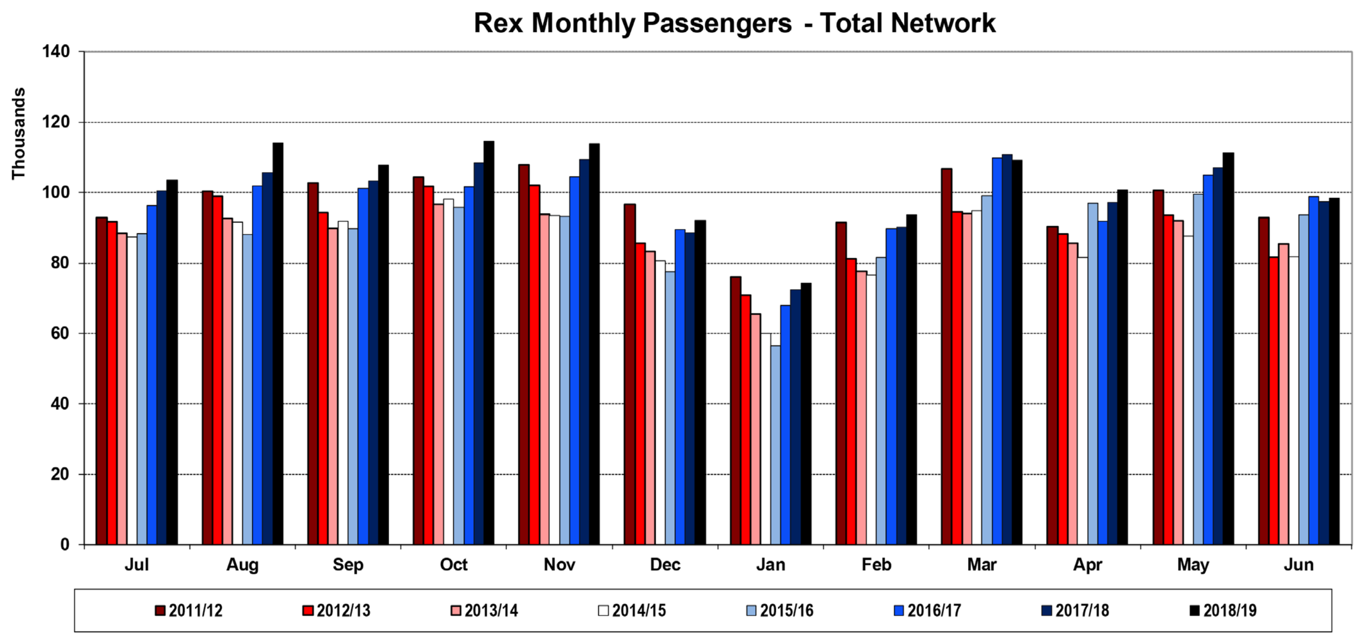
Rex has also established the successful Rex Community Fare Scheme on the Perth to Carnarvon ($198) and Monkey Mia ($157) route. The additional Rex flight frequency and Community Fare Scheme has been a catalyst for almost 30% passenger growth between Perth and Carnarvon and more than 55% passenger growth between Perth and Monkey Mia in FY2019.

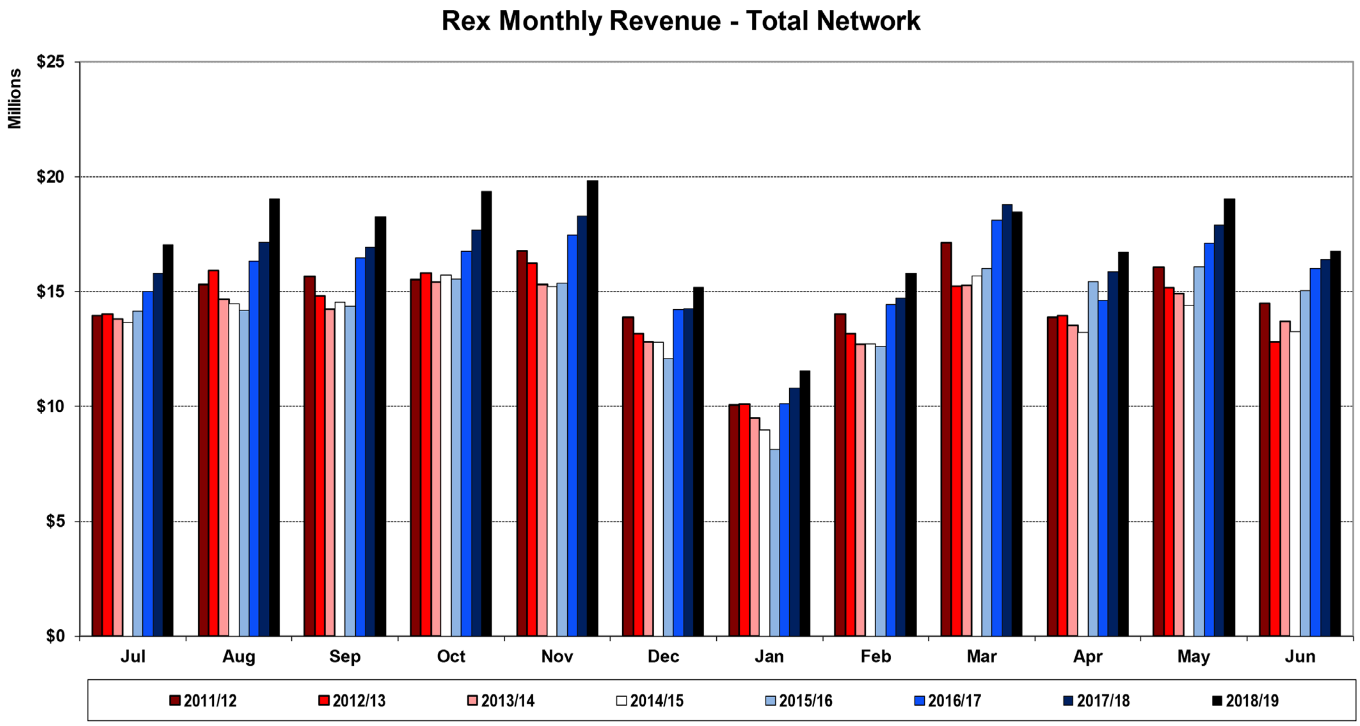
On 27 October 2018 Rex exited the Sydney to Mildura route following notice from Mildura Airport Pty Ltd (MAPL) of a 22.5% increase to the Mildura Airport passenger head tax charge.

Rex entered into a new five-year partnership agreement with Griffith City Council which saw Rex redeploy the Sydney to Mildura aircraft, flight crew and Sydney Airport slots across to the Sydney to Griffith route. This resulted in an additional ten weekly flights between Griffith and Sydney with effect from 28 October 2018, adding 17,000 seats to the route annually. In addition, Rex implemented a new service between Griffith and Broken Hill, bringing benefits to both communities. The new partnership agreement with Griffith City Council also resulted in the introduction of a $129 Rex Community Fare between Griffith and Sydney.

Services to Carnarvon and Monkey Mia (Shark Bay) Launced 2 July 2018

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





FLEET CHANGES

A further two Saab 340 B+ aircraft were added to the fleet in 2H FY2019 bringing the total Saab fleet to 60 aircraft. Of the 60 Saab 340 aircraft in the Rex Group, 58 are fully paid for, and two are on lease. Rex sold Air Link's fleet of five piston aircraft along with the divestment of the company in 1H FY2019.

ENTERPRISE AGREEMENTS (EA)

The Rex Flight Attendant, Engineers and Airline Services EAs have been approved by the Fair Work Commission. The Rex Pilot Agreement is under negotiation.

OPERATIONAL AND SERVICE STANDARDS

In FY2019 Rex recorded 83.79% on-time departure performance as reported by the Bureau of Infrastructure, Transport and Regional Economics (BITRE).

Rex completed FY19 with the lowest cancellation rate of all Australian airlines for the sixth year in a row, recording 0.99% of all flights cancelled. Other main regional carriers QantasLink and Virgin Australia Regional Airlines ranked second and fifth respectively.

Airline	On-Time Departure		Cancellation Rate (%)	
	FY 2019	FY 2018	FY 2019	FY 2018
rex. Regional Express	2nd	3rd	0.99%	1.3%
QantasLink	1st	2nd	1.62%	2.3%
Virgin Australia Regional Airlines	5th	5th	2.13%	2.6%
Qantas	4th	4th	2.40%	1.5%
Virgin Australia	3rd	1st	1.96%	1.6%
Jetstar	6th	6th	2.52%	1.3%
Tigerair	7th	7th	4.29%	2.6%

COMMUNITY INVOLVEMENT

During FY2019 Rex contributed $320,000 in sponsorships to worthy charitable and community causes across the network.

Rex is committed to regional and remote Australia and is proud to give directly back to the local communities we service. From corporate partnerships and cultural events to local fundraisers and cases of personal hardship, Rex remains supportive of the unique vibrancy of regional Australia by providing air travel for locals and visitors. Connecting the country with the city, Rex continues to grant valuable fare assistance to passengers in need, highlighting that our ethos of 'Our Heart is in the Country' remains unwavering.

In FY2019 Rex responded to the devastating effects of the worst drought to hit regional Australia in 50 years by establishing a $1 million Rex Drought Relief Fund. When the devastation of the floods in Queensland prevailed, the fund was increased to $1.5 million and renamed the Rex Relief Fund, with contributions going to community groups working to alleviate the impact of natural disasters.

Rex partnered with the Foundation for Rural & Regional Renewal (FRRR) for network-wide collection drives in-flight and on the ground in FY2019, collectively raising a further $26,860 for drought and flood-affected regions. Funds raised in collaboration with the FRRR went towards activities and services identified by the local communities as most pressing.

Some of the causes and events supported by Rex during FY2019 were:

- Charleville Cup Race day, Charleville Race Club, Queensland
- The Crows Bros, Eyre Peninsula Crows Supporter Group, Port Lincoln, South Australia
- McHappy Day, Bega, New South Wales
- Club Scout Leaders Conference, Esperance Scout Group, Western Australia
- Shane Doherty Memorial, Sunraysia Golf Tours, Mildura, Victoria
- Heart of Australia, Dr Rolf Gomes, Queensland
- 2019 New Years Day Carnival, Burnie Athletic Club, Tasmania
- Little Wings Ball, Little Heroes Foundation, Adelaide, South Australia
- The Poetry Object, the Red Room Company, Sydney, New South Wales
- Dirranbandi Miss Showgirl Competition, Queensland Country Life Showgirl Awards, Dirranbandi, Queensland
- Red Faces Variety Show, Grow SA, South Australia
- Albany Food and Wine Festival, Taste Great Southern, Albany, Western Australia
- 2019 New South Wales Regional Woman of the Year (WOTY) Award, Department of Family and Community Services
- Miss Rodeo Queen, Tony "Tonka" Toholke, Mount Isa Rodeo, Queensland
- Shark Bay Annual Bowling Carnival, Shark Bay Bowling, Sport and Recreation Club Inc, Western Australia

Dr Louise Baker- Winner Rex Airlines Regional Women of the Year- NSW Woman of the Year Awards 2019

Bravehearts

Red Faces Variety Show

13 SUBSEQUENT EVENTS

In July 2019, Pel-Air submitted a Request For Tender (RFT) response for the NSW Health Fixed-wing Air Ambulance Service. This Tender asked for the procurement of five new aircraft, along with the supply of pilots and maintenance to support the provision of 24/7 fixed-wing air ambulance services from Mascot, commencing January 2022.

In August 2019, the Group signed a letter of intent with Vinpearl Air for pilot training in Australian Airline Pilot Pty Limited (AAPA), and obtained a development approval to build a Simulator Centre at Rex's facility at Mascot, Sydney.

14 CHANGES IN STATE OF AFFAIRS

The Group divested of its wholly-owned subsidiary, Airlink Pty Ltd.

15 FUTURE DEVELOPMENTS

Rex Flight Operations in conjunction with the Continuing Airworthiness Management Organisation (CAMO) and Information Technology (IT) departments are developing an electronic Flight Technical Log (eFTL) application, which will encompass the existing electronic Flight Log already in use, to include an electronic Aircraft Maintenance Log (eAML) suite. The eFTL application as part of the flight deck Electronic Flight Bag (EFB), uses cellular connectivity to provide seamless data transfer to the end-users of the data and is a further step towards a paperless flight deck.

Rex Flight Operations and IT departments are currently working on the development of a catering application to be used on-board by Flight Attendants. The application will allow Flight Attendants to maintain an accurate inventory of catering supplies and the ability to reorder stock as required through the connectivity of their company-issued iPad to the Rex catering trucks. This will provide operational efficiencies in the deployment of ground crew resources and enhance on-time performance at capital city airports. Rex will also introduce a cashless point-of-sale onboard allowing passengers to purchase beverages using debit or credit cards.

16 ENVIRONMENTAL REGULATIONS

During FY2019, Rex continued to be an active participant in programs aimed at maximising energy efficiency and reducing greenhouse gas emissions in accordance with the National Greenhouse Energy Reporting Act 2007 (NGER).

Rex is due to submit its 10th NGER report to the Clean Energy Regulator in October 2019.

17 DIVIDENDS

Although conditions have deteriorated in 2H FY2019 and predicted to be challenging in FY2020, the Board has nonetheless approved a final dividend of 8 cents per share, bringing the full year's dividend payout to 12 cents per share. This is on the back of the Group's strong cash holdings, and the expected continued steady cash flow in the new FY.

18 INDEMNIFICATION OF OFFICERS AND AUDITORS

During the FY2019, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretaries (as named above), and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

19 REMUNERATION REPORT

REMUNERATIONS, NOMINATIONS AND DISCIPLINARY COMMITTEE

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

REMUNERATION POLICY

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

REMUNERATION STRUCTURE

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

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

- **Profit Share Incentive Plan**

  The profit share incentive scheme, established eleven years ago continues to award eligible employees a share of Rex's profit before tax (PBT) based on an agreed percentage (excluding contributions from subsidiaries and associates) for the FY immediately preceding the award. The profit share is allocated on an equal share basis. Permanent part-time employees receive an amount proportional to their employment hours.

- **Share Gift Plan**

  Rex established the share gift plan (effective from FY2006) for its executive directors and eligible employees. The plan is offered to EA groups that opt for the plan and all non-EA employees who are not the subject of an adverse recommendation by the Remunerations, Nominations and Disciplinary Committee. This plan is not based on any performance measures (other than eligibility for non-EA employees). The plan was established to show its recognition of employees' contribution to Rex by providing an opportunity to share in its future growth and profitability and to align the interests of the employees more closely with the interests of the shareholders. As such, the share gift plan entitles eligible employees to a fixed value of shares equivalent to a percentage of their base salaries. There are no vesting conditions attached to the share gift.

DIRECTOR AND SENIOR MANAGEMENT DETAILS

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

Lim Kim Hai (Chairman)

The Hon. John Sharp AM (Deputy Chairman)

Lee Thian Soo

Neville Howell

Chris Hine

James Davis

Prof. Ronald Bartsch

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

Neville Howell (Chief Operating Officer)

Warrick Lodge (General Manager, Network Strategy & Sales)

Irwin Tan (General Manager, Corporate Services / Company Secretary)

Mayooran Thanabalasingam (General Manager, Information Technology and Communications)

Png Yeow Tat (General Manager, Engineering)

Mark Burgess (Deputy General Manager, Engineering)

Paul Fisher (General Manager, Flight Operations & Chief Pilot)

David Brooksby (National Airports Manager)

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

		Short-term benefits		Post employment benefits	Long-term benefits	Share gift provision	
		Cash salary & fees	Cash profit sharing & other bonuses	Pension & super-annuation	Long service leave	Share gift issued	Total
Directors/Executives	FY	$	$	$	$	$	$
EXECUTIVE DIRECTORS							
LIM KIM HAI [1]	2019	-	-	-	-	-	-
Executive Chairman	2018	-	-	-	-	-	-
CHRIS HINE	2019	139,887	1,388	13,421	2,749	2,158	159,603
Excecutive Director & Group Flight Operations Advisor	2018	137,829	933	13,183	1,797	2,114	155,856
NEVILLE HOWELL	2019	229,419	51,735	20,441	3,581	4,200	309,376
Executive Director & Chief Operating Officer	2018	224,711	41,167	19,862	3,497	3,899	293,136
NON-EXECUTIVE DIRECTORS							
JOHN SHARP	2019	107,307	-	10,194	-	-	117,501
Deputy Chairman	2018	90,000	-	8,550	-	-	98,550
LEE THIAN SOO	2019	30,000	-	-	-	-	30,000
Non-Executive Director	2018	30,000	-	-	-	-	30,000
RONALD BARTSCH	2019	35,000	-	3,325	-	-	38,325
Non-Executive Director	2018	35,000	-	3,325	-	-	38,325
JAMES DAVIS	2019	40,000	-	3,800	-	-	43,800
Non-Executive Director	2018	40,000	-	3,800	-	-	43,800
SENIOR MANAGEMENT EXECUTIVES							
WARRICK LODGE	2019	179,164	51,735	18,232	2,998	3,500	255,629
GM, Network Strategy & Sales	2018	174,833	41,167	17,145	2,914	3,327	239,386
IRWIN TAN	2019	193,289	51,735	19,151	2,998	3,400	270,573
GM, Corporate Services	2018	184,929	40,875	17,849	2,831	3,327	249,811
MAYOORAN THANABALASINGAM	2019	185,317	51,735	18,692	2,998	3,500	262,242
GM, ITC	2018	179,833	41,167	17,492	2,831	3,327	244,650
PAUL DAVID FISHER	2019	203,654	49,746	19,866	5,095	4,000	282,361
GM, Flight Operations & Chief Pilot	2018	199,705	38,458	18,766	5,000	3,694	265,623
PNG YEOW TAT	2019	177,012	51,735	18,102	2,998	3,400	253,247
GM, Engineering	2018	169,750	41,167	16,790	2,831	3,140	233,678
MARK BURGESS	2019	142,177	29,132	15,521	3,557	2,793	193,180
Deputy GM, Engineering	2018	139,517	23,998	14,695	3,491	2,735	184,436
DAVID BROOKSBY	2019	161,380	51,735	19,215	2,581	2,800	237,711
National Airports Manager	2018	149,614	31,167	15,389	2,498	2,282	200,950
TOTAL	2019	1,823,606	390,676	179,960	29,555	29,751	2,453,548
	2018	1,755,721	300,099	166,846	27,690	27,845	2,278,201

[1] Lim Kim Hai undertook to forfeit his Director's fee since November 2008 in response to the global economic crisis and continued to do so in this reporting period in the light of the continuing difficult environment.

VALUE OF OPTIONS ISSUED TO DIRECTORS AND EXECUTIVES

No options lapsed, were granted or were exercised during the year.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

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

The tables below set out summary information about the Group's results and movements in shareholder wealth for the five years to June 2019:

	30 June 2019 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000
Revenue	317,649	295,537	280,967	261,906	256,217
Net profit / (loss) before tax	25,201	25,075	17,810	(10,703)	9,296
Net profit / (loss) after tax	17,517	16,913	12,620	(9,557)	6,672

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Share price at start of year	$1.46	$1.04	$0.77	$1.04	$0.75
Share price at end of year	$1.42	$1.43	$1.11	$0.77	$1.04
Interim dividend	$0.04	$0.04	-	-	-
Final dividend [1,2]	$0.08	$0.08	$0.10	-	-
Basic earnings / (loss) per share	16.1 cps	15.7 cps	11.7 cps	(8.8) cps	6.2 cps
Diluted earnings / (loss) per share	16.1 cps	15.7 cps	11.7 cps	(8.8) cps	6.2 cps

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

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

KEY TERMS OF EMPLOYMENT CONTRACTS

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

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

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

	Balance at 1 July 2018	Increase / (Decrease) during the year	Balance at 30 June 2019
Directors:			
Lim Kim Hai	24,753,859	-	24,753,859
The Hon. John Sharp	325,032	-	325,032
Lee Thian Soo	11,449,362	-	11,449,362
Neville Howell	30,499	-2,563	27,936
Chris Hine	76,346	1,509	77,855
James Davis	200,866	-	200,866
Key management personnel:			
Warrick Lodge	158,400	2,448	160,848
Irwin Tan	34,184	2,378	36,562
Mayooran Thanabalasingam	86,762	2,448	89,210
Paul Fisher	43,443	2,797	46,240
Png Yeow Tat	27,525	2,378	29,903
Mark Burgess	21,514	1,953	23,467
David Brooksby	21,561	1,958	23,519

During the financial year, no options were granted to (2018: nil), nor exercised (2018: nil) by key management personnel for ordinary Rex shares. No options remained unpaid or to be exercised at the year-end.

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.

21 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 26 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 26 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.

22 ROUNDING OFF OF AMOUNTS

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements, amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Legislative instrument, unless otherwise indicated.

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

On behalf of the Directors

Neville Howell
Chief Operating Officer
23 August 2019

Deloitte.

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

23 August 2019

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 2019, 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

Damien Cork
Partner
Chartered Accountants

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CORPORATE GOVERNANCE STATEMENT

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CORPORATE GOVERNANCE STATEMENT

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

As required by the ASX Listing Rules this statement sets out the extent to which the Company has complied with the ASX Recommendations during the FY to 30 June 2019 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 those of the Management Committee to achieve the objectives of delivering shareholder value. The Board regularly reviews the division of functions between the Board and management to ensure that it continues to be appropriate to the needs of the company (ASX Recommendation 1.1). The Remunerations, Nominations and Disciplinary Committee undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. The biography of each director standing for election or re-election is expressly mentioned in the Notice of Meeting of the company's AGM (ASX Recommendation 1.2). The Directors and Management Committee have a clear understanding of their roles and responsibilities and of the company's expectations of them as set out in their employment contracts (ASX Recommendation 1.3). The Company Secretaries are integral in advising the Board and its committees on governance matters, ensuring that board and committee policy and procedures and followed, and helping to organise and minuting discussions of board and committee meetings (ASX Recommendation 1.4).

The performance of each Management Committee member is evaluated against goals and objectives with the assistance of the Remunerations, Nominations and Disciplinary Committee. The performance of the Management Committee was reviewed in FY17 (ASX Recommendation 1.7). The performance of the Directors and Board Committees are reviewed periodically with the assistance of the Remunerations, Nominations and Disciplinary Committee. The performance and the composition of the Board Committees were reviewed in FY17 (ASX Recommendation 1.6).

The Board's Charter, Board Committee Charters, Share Trading Policy, Continuous Disclosure Policy and Code of Conduct are available for access by shareholders and the general public in the corporate governance section of the Company's website (ASX Recommendation 3.5).

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

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

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

The Board acknowledges the ASX recommendations to have the Committee compose of a majority of independent directors and have at least three members. The Committee is currently made up of two independent directors. The Board feels at this stage that two members are sufficient for the Remunerations, Nominations and Disciplinary Committee given the size of the Company and Board.

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

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are set out in the Director's Report.

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

		LIM KIM HAI	JOHN SHARP	LEE THIAN SOO	RONALD BARTSCH	JAMES DAVIS	CHRIS HINE	NEVILLE HOWELL
BUSINESS / ENTREPRENEURIAL EXPERIENCE		X	X	X	X			
POLITICAL EXPERIENCE			X					
CORPORATE GOVERNANCE		X	X	X	X			
SAFETY AND RISK MANAGEMENT					X	X	X	X
FINANCE		X						
LEGAL					X			
INDUSTRY EXPERIENCE	REGULATORY KNOWLEDGE AND EXPERIENCE				X	X	X	X
	PILOT		X		X	X	X	X
	ENGINEERING KNOWLEDGE					X		

The membership of the Board during the year ended 30 June 2019, including independence status was as follows (ASX Recommendation 2.3):

Director	Status	Date of Appointment
Lim Kim Hai	Executive Chairman	Appointed 27 June 2003 and re-appointed 16 November 2006, 25 November 2009, 27 November 2012,27 November 2015 and 21 November 2018.
The Hon. John Sharp AM	Deputy Chairman and Independent Director	Appointed 14 April 2005 and re-appointed 19 November 2008, 23 November 2011, 27 November 2013 and 29 November 2016.
Lee Thian Soo	Non-Executive Director	Appointed 27 June 2003 and re-appointed 16 November 2006, 25 November 2009, 27 November 2012, 27 November 2015 and 21 November 2018.
Neville Howell	Chief Operating Officer & Executive Director	Appointed 1 July 2014 and re-appointed 26 November 2014, and 21 November 2017.
Chris Hine	Executive Director & Group Flight Operations Advisor	Appointed 1 March 2011 and re-appointed 23 November 2011 as Executive Director. Appointed 26 November 2014 as Non-Executive Director. Appointed 18 May 2015 as Executive Director and Group Flight Operations Advisor, re-appointed 21 November 2017.
James Davis	Independent Director	Appointed 26 August 2004 as Executive Director and re-apointed 23 November 2011 as Independent Director, re-appointed 26 November 2014 and 21 November 2017.
Ronald Bartsch	Independent Director	Appointed 23 November 2010 and re-appointed 23 November 2011.26 November 2014, and 21 November 2017.

The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors (ASX Recommendation 2.4). Although the Board has only three directors out of seven that qualify as independent non-executive directors, Lee Thian Soo is only considered non-independent by virtue of his share ownership and is considered by the Board to be effectively an independent Director. The Board believes that every director on the current Board will make decisions in the best interests of all shareholders and in accordance with their duties as directors.

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

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

(A) STRATEGIC AND FINANCIAL PERFORMANCE

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

(B) EXECUTIVE MANAGEMENT

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

(C) AUDIT

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

(D) CORPORATE GOVERNANCE

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

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

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

(E) RISK MANAGEMENT

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

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

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

(F) STRATEGIC PLANNING

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

(G) PERFORMANCE EVALUATION

- At least once per year the Board will, with the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, review and evaluate the performance of the Board, each Board Committee, and each individual director against the relevant Charters, corporate governance policies, and agreed goals and objectives (ASX Recommendation 2.5).
- Following each review and evaluation the Board will consider how to improve its performance.
- The Board will agree and set the goals and objectives for the Board and its Committees each year, and if necessary, amend the relevant Charters and policies.
- With the advice and assistance of the Remunerations, Nominations and Disciplinary Committee, the Board will review and approve the remuneration of the Company's executive and non-executive directors.

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

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

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

The Company has a program for inducting new Directors.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

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

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

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

The Company was compliant with the Workplace Gender Equality Act 2012 as reported by the Workplace Gender Equality Agency.

As at the end of the reporting period, the proportion of female employees in the Company was 33.2%. There were 12 women holding management positions in the Company. There were no female Board members or Management Committee members.

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Regional Express Holdings Limited lodged its annual public report (2018 - 2019) with the Workplace Gender Equality Agency (Agency).

To access a copy of the report refer to the Rex website under Corporate and Social Responsibilities.

Details on the reporting process can be located at the Workplace Gender Equality Website: www.wgea.gov.au.

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

In FY2019, this Committee was chaired by the Hon. John Sharp AM and has one other member, James Davis. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report. The Committee had two meetings during FY2019 attended by all then-current members of the Committee.

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

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

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

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

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

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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, half-yearly investor briefings and the Annual General Meeting (and any extraordinary meetings held by the Company). Shareholders are encouraged to participate in half-yearly investor briefings either by attendance or by dialling in through the Company's teleconferencing facilities and are invited to put questions to the Chairman of the Board in that forum (ASX Recommendation 6.3). The Company's website provides additional information and greater detail about the Company, including ASX and media releases and access to statements regarding corporate governance related matters (ASX Recommendation 6.1).

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

The Company acknowledges that some security holders prefer the speed, convenience and environmental friendliness of electronic communications over more traditional methods of communication. To this end the Company provides its security holders with the option of receiving either a hard or soft copy of its annual report and notice of meeting for its Annual General Meeting (ASX Recommendation 6.4).

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

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

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

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

The Safety and Risk Management Committee 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).

Being an airline, Rex is required by the Civil Aviation Safety Authority to have a safety and compliance department. Staffed by approximately 15 full-time equivalent employees, this department conducts internal audits of all Rex's operations including flight operations, engineering and airport operations. The head of this department, the GM Human Factors, has a direct reporting line to the Board and Chairman (ASX Recommendation 7.3).

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Passenger revenue		278,433	260,302
Freight revenue		1,505	1,437
Charter revenue		28,515	25,735
Other passenger services and amenities		1,279	2,601
Other revenue	4	7,917	5,462
Total revenue		**317,649**	**295,537**
Finance income	4	**895**	**1,153**
Other gains / (losses)	4	**1,111**	**289**
Flight and port operation costs (excluding fuel)		(57,829)	(55,341)
Fuel costs		(42,508)	(32,690)
Salaries and employee-related costs	4	(112,238)	(107,726)
Selling and marketing costs		(8,797)	(7,948)
Engineering and maintenance costs		(46,110)	(42,325)
Office and general administration costs		(7,838)	(7,681)
Finance costs	4	(1,956)	(1,975)
Depreciation and amortisation	4	(17,178)	(16,218)
Total costs and expenses		**(294,454)**	**(271,904)**
Profit before tax		**25,201**	**25,075**
Tax expense	5	(7,684)	(8,162)
Profit after tax		**17,517**	**16,913**
Profit attributable to			
Members of the parent		17,517	16,913
		17,517	**16,913**
Earnings per share		cents per share	cents per share
Basic	16	16.1	15.7
Diluted	16	16.1	15.7

Notes to the financial statements are included on pages 42 to 78.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Profit after tax		**17,517**	**16,913**
Other comprehensive income / (loss)			
Hedge reserve			
Revaluation of cash flow hedges	15	360	(70)
Income tax effect	15	(108)	21
Other comprehensive income / (loss), net of tax		**252**	**(49)**
Total comprehensive income		**17,769**	**16,864**

Notes to the financial statements are included on pages 42 to 78.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and bank balances	22	21,727	24,019
Trade and other receivables	6	16,674	14,027
Inventories	7	13,439	11,778
Other financial assets	23	360	-
Total current assets		**52,200**	**49,824**
Non-current assets			
Other receivables	6	6,679	5,808
Inventories	7	8,055	12,356
Investments - fair value through equity		9	9
Deferred tax assets	5	1,897	1,585
Property, plant and equipment	8		
Aircraft		89,178	93,091
Other property, plant and equipment		114,100	111,714
Goodwill and other intangible assets	9	731	824
Total non-current assets		**220,649**	**225,387**
Total assets		**272,849**	**275,211**
Current liabilities			
Trade and other payables	10	20,939	18,813
Unearned revenue	11	24,502	24,693
Borrowings	12	3,852	7,509
Provisions	13	9,217	8,124
Current tax payable	5	2,452	5,728
Total current liabilities		**60,962**	**64,867**
Non-current liabilities			
Borrowings	12	4,220	9,045
Provisions	13	2,248	1,815
Total non-current liabilities		**6,468**	**10,860**
Total liabilities		**67,430**	**75,727**
Net assets		**205,419**	**199,484**
Equity			
Issued capital	14	72,024	72,024
Reserved shares	15	(1,163)	(2,256)
Retained earnings		131,165	126,521
Share-based payments reserve	15	1,551	1,605
Other reserves	15	1,842	1,590
Total equity		**205,419**	**199,484**

Notes to the financial statements are included on pages 42 to 78.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Receipts from customers		344,970	324,122
Payments to suppliers, employees and others		(299,417)	(279,926)
Interest paid		(1,056)	(1,526)
Income tax paid		(11,456)	(7,115)
Net cash flows from operating activities	22 (B)	**33,041**	**35,555**
Interest received		895	1,153
Proceeds from disposal of business		908	-
Proceeds from disposal of property, plant and equipment		2,403	1,951
Payments for property, plant and equipment - aircraft and other		(18,002)	(18,484)
Payments for property, plant and equipment - software		(28)	(193)
Net cash flows used in investing activities		**(13,824)**	**(15,573)**
Dividends paid		(13,027)	(15,062)
Shares purchased as reserve shares		-	(86)
Repayment of borrowings – non-related parties		(8,482)	(7,072)
Net cash flows used in financing activities		**(21,509)**	**(22,220)**
Net decrease in cash held		**(2,292)**	**(2,238)**
Cash at the beginning of the financial year		**24,019**	**26,257**
Cash at the end of the financial year	22 (A)	**21,727**	**24,019**

Notes to the financial statements are included on pages 42 to 78.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to equity holders of the Company						
	Issued capital $'000	Reserved shares $'000	Retained earnings $'000	Share-based payments reserve $'000	Cash flow hedge reserve $'000	General reserve $'000	Total equity $'000
At 1 July 2017	**72,024**	**(3,246)**	**124,670**	**1,358**	**49**	**1,590**	**196,445**
Profit for the year	-	-	16,913	-	-	-	16,913
Other comprehensive loss, net of tax	-	-	-	-	(49)	-	(49)
Total comprehensive income / (loss)	-	-	16,913	-	(49)	-	16,864
Dividends paid	-	-	(15,062)	-	-	-	(15,062)
Shares purchased as reserve shares	-	(86)	-	-	-	-	(86)
Share gift issued - gift	-	1,076	-	(1,076)	-	-	-
Share gift plan provision	-	-	-	1,323	-	-	1,323
At 30 June 2018	**72,024**	**(2,256)**	**126,521**	**1,605**	**-**	**1,590**	**199,484**
At 1 July 2018	**72,024**	**(2,256)**	**126,521**	**1,605**	**-**	**1,590**	**199,484**
Profit for the year	-	-	17,517	-	-	-	17,517
Other comprehensive income, net of tax	-	-	-	-	252	-	252
Total comprehensive income	-	-	17,517	-	252	-	17,769
Dividends paid	-	-	(13,027)	-	-	-	(13,027)
Share gift issued - gift	-	1,093	-	1,093)	-	-	-
Share gift plan provision transfer	-	-	-	(277)	-	-	(277)
Share gift plan provision	-	-	-	1,316	-	-	1,316
Adjustment on adoption of AASB 15 Revenue	-	-	154	-	-	-	154
At 30 June 2019	**72,024**	**(1,163)**	**131,165**	**1,551**	**252**	**1,590**	**205,419**

Notes to the financial statements are included on pages 42 to 78.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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5	Income Tax
6	Trade and Other Receivables
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11	Unearned Revenue
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01 GENERAL INFORMATION

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

02 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied all amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018 and adopted by the Group on 1 July 2018, and therefore relevant for the current year end. The impact of the application of these amendments is detailed below.

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS EFFECTIVE FOR THE CURRENT YEAR

A number of new accounting standards have been implemented in the current year. The impact of these are summarised as follows.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS ("AASB 15")

AASB 15, which replaces AASB 118 Revenue, is based on the principle that revenue is recognised when control of a good or service transfers to a customer, and introduces a five-step model to determine when and how much revenue should be recognised. The Group has applied the modified retrospective approach to the adoption of AASB 15 and accordingly comparatives have not been restated. The adoption of AASB 15 from 1 July 2018 resulted in changes in accounting policies, the effect of which are detailed below.

The Group has identified the following changes to revenue recognition on adoption of the standard:

PASSENGER REVENUE

The changes to revenue recognition of passenger revenue are as follows:

- Under AASB 118 Revenue, revenue arising from expired tickets or "breakage" was typically recognised once the customer is no longer able to refund or reschedule their ticket booking. Under AASB 15, revenues arising from expired tickets relate to a portion of contractual rights captured under contract liabilities that the Group does not expect to be exercised. As a result, expired ticket revenue is recognised earlier to match the timing of revenue recognition with the underlying performance obligations.

  As a result of this change in accounting policy, the Group has calculated an increase in retained earnings at 1 July 2018 of $326 thousand net of tax.

- Ancillary services such as booking fees or change fees were previously recognised on issuance of tickets to customers. Under AASB 15, revenues relating to ancillary services are not considered as distinct from the passenger flight, and so are deferred and recognised at the time of the related passenger revenue.

  As a result of this change in accounting policy, the Group has calculated a decrease in retained earnings at 1 July 2018 of $172 thousand net of tax.

  The net of these two changes to accounting policies is $154 thousand as at 1 July 2018. This has been recognised as an adjustment to increase retained earnings at 1 July 2018.

IMPACT OF ADOPTION

	2019 as reported $'000	Impact of adoption $'000	Amount without AASB 15 $'000
Passenger revenue	278,433	(1,985)	276,448
Freight revenue	1,505	-	1,505
Charter revenue	28,515	-	28,515
Other passenger services and amenities	1,279	2,005	3,284
Other revenue	7,917	-	7,917
Total revenue	**317,649**	**20**	**317,669**
Finance income	**895**	**-**	**895**
Other gains / (losses)	**1,111**	**-**	**1,111**
Flight and port operation costs (excluding fuel)	(57,829)	-	(57,829)
Fuel costs	(42,508)	-	(42,508)
Salaries and employee-related costs	(112,238)	-	(112,238)
Selling and marketing costs	(8,797)	-	(8,797)
Engineering and maintenance costs	(46,110)	-	(46,110)
Office and general administration costs	(7,838)	-	(7,838)
Finance costs	(1,956)	-	(1,956)
Depreciation and amortisation	(17,178)	-	(17,178)
Total costs and expenses	**(294,454)**	**-**	**(294,454)**
Profit before tax	**25,201**	**20**	**25,221**
Tax expense	(7,684)	(6)	(7,690)
Profit after tax	**17,517**	**14**	**17,531**

AASB 9 FINANCIAL INSTRUMERNTS ("AASB 9")

Effective 1 July 2018 the Company adopted AASB 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortised cost or at fair value as opposed to the multiple classifications which were permitted under AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139"). This standard also requires the use of a single impairment method as opposed to the multiple methods in AASB 139. The approach in AASB 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. The Group has adopted AASB 9 on a fully retrospective basis.

The Group holds an investment which was classified as an available for sale financial instrument and has elected for it to be designated as fair value through other comprehensive income.

Trade and other receivables that were classified as loans and receivables under AASB 139 are classified as financial assets measured at amortised cost. There is no change to the initial measurement of the Group's financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under AASB 9, rather than the incurred loss model under AASB 139. ECLs are a probability-weighted estimate of credit losses. The Group calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past five years to calculate expected credit losses. The Group's actual credit loss experience has not been material.

The adoption of AASB 9 has not had a material impact on the Group's financial liabilities.

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the hedge, the Group documents the relationship between hedging instruments and hedged items, including the risk management objective and strategy for undertaking each hedge. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedge transactions have been and will continue to be highly effective. The adoption of AASB 9 has resulted in changes to the documentation of hedging relationships and the assessment of hedge effectiveness, but has not resulted in a change to derivative financial instruments recognised or the classification of these derivatives as cash flow hedges.

INTERPRETATION NOTE 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

Interpretation 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The adoption of Interpretation note 22 has not had a material impact.

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of the financial statements, the Group has not adopted the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but are not yet effective:

Standard/Amendment	**Effective for annual reporting periods beginning on or after**
AASB 16 Leases	1 January 2019
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

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

With the exception of AASB 16 detailed below, the reported results and financial position of the Group are not expected to change materially on adoption of any of the amendments to the current standards listed above that will be adopted on 1 July 2019 as they do not result in any changes to the Group's existing accounting policies.

For those standards that will be adopted on 1 July 2020 the impact has not been fully determined and is not expected to be material.

AASB 16 Leases ("AASB 16") effective 1 January 2019, and the Group will apply the standard from 1 July 2019.

STANDARD/INTERPRETATION AND NATURE OF THE CHANGE AND IMPACT

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019. The Group has chosen to apply AASB 16 on a modified retrospective basis and consequently, the Group will not restate the comparative information.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the lessee has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. In preparation for the first-time application of AASB 16, the Group has assessed the new definition in AASB 16 and determined that it will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact of accounting for leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. In accordance with the modified retrospective basis of adoption, on initial application of AASB 16, for all leases (except as noted below), will result in the:

a) Recognition of a right-of-use asset and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments on a prospective basis at the date of initial application (i.e. 1 July 2019);

b) Recognition of depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separation of the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will also replace the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will elect to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group has substantially completed its implementation assessment of the new standard, however certain technical and judgemental aspects of the revised accounting policy remain open, primarily the determination of lease terms for leases in holdover, which could have a material impact on the outcomes under the new standard.

The Group is a party to a small number of operating lease agreements. As at 30 June 2019, the Group has non-cancellable operating lease commitments of $6M. Subject to the conclusion of the matter relating to holdover leases above, the Group's assets, liabilities and equity will be impacted as follows on 1 July 2019:

- $3,327 thousand increase in right-of-use assets,
- $3,954 thousand increase in lease liabilities,
- $188 thousand decrease in deferred tax,
- $439 thousand decrease in retained earnings.

The assessment is that operating EBITDA will increase by $1.1M in FY2020.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by $1.1M and the increase net cash used in financing activities by the same amount.

03 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 30, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

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.

No impairment losses were recognized with respect to goodwill and property, plant and equipment during the year (2018: nil).

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

As described in Note 23, management uses their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

As described in Note 30 (S), the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, it is determined that the useful lives of property, plant and equipment correctly reflected the rate at which the assets are consumed.

EMPLOYEE ENTITLEMENTS

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

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

04 REVENUES AND EXPENSES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
Other revenue		
Training income	4,621	3,338
Net sales proceeds (engineering parts)	1,599	761
Rental income	254	266
Insurance claim	727	168
Training subsidy	30	112
Engineering services	104	110
Other income	582	707
	7,917	**5,462**
Finance income		
Interest	895	1,153
	895	**1,153**
Other gains / (losses)		
Gain on disposal of business	808	-
Net foreign currency gain / (loss)	372	(394)
(Loss) / Gain on disposal of property, plant and equipment	(69)	683
	1,111	**289**
Salaries and employee-related costs		
Wages and salaries (including bonus – profit share scheme)	(102,881)	(98,622)
Superannuation costs - defined contribution plan	(7,051)	(6,800)
Expense of share-based payments	(1,316)	(1,323)
Workers' compensation costs	(990)	(981)
	(112,238)	**(107,726)**
Office and general administrative costs		
Bad debts recovered	-	38
	-	**38**
Finance costs		
Interest on bank borrowings and finance leases	(1,956)	(1,975)
Interest expense	**(1,956)**	**(1,975)**
The weighted average interest rate on borrowings is 9.1% per annum, and 4.1% per annum for finance leases.		
Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment	(17,057)	(15,996)
Amortisation of development costs and software	(121)	(222)
	(17,178)	**(16,218)**
Lease payments included in consolidated statement of profit or loss		
Included in flight and port operation costs		
Minimum lease payments – operating lease	(822)	(783)
	(822)	**(783)**

05 INCOME TAX

INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2019 $'000	2018 $'000
Tax expense comprises:		
Current tax expense	8,180	11,300
Prior period tax expense	-	581
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	(496)	(3,719)
Total tax expense	**7,684**	**8,162**
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 before tax from operations	25,201	25,075
Tax expense calculated at 30%	7,560	7,523
Tax on non-deductible expense / (non-assessable income)	124	58
Prior period tax expense	-	581
Tax expense	**7,684**	**8,162**
Effective tax rates	30.5%	32.5%

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

The following current and deferred tax amounts have been recognised in the statement of financial position.

	2019 $'000	2018 $'000
Current tax assets and liabilities		
Current tax payable		
Income tax attributable:		
Parent entity	2,452	5,728
	2,452	**5,728**
Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	7,511	7,276
	7,511	**7,276**
Deferred tax liabilities comprise:		
Temporary differences	(5,614)	(5,691)
	(5,614)	**(5,691)**
Net deferred tax assets	**1,897**	**1,585**

Taxable and deductible temporary differences arise from the following:

	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
30 June 2019				
Gross deferred tax liabilities				
Inventories	(3,533)	(229)	-	(3,762)
Prepayments	(1,043)	251	-	(792)
Subsidy receivable	(266)	(84)	-	(350)
Property, plant & equipment	(743)	54	-	(689)
Other items	(106)	193	(108)	(21)
	(5,691)	**185**	**(108)**	**(5,614)**
Gross deferred tax assets				
Employee-related provisions	3,486	445	-	3,931
Property, plant & equipment	2,111	(364)	-	1,747
Payables	763	59	-	822
Other liabilities	810	201	-	1,011
Other items	106	(106)	-	-
	7,276	**235**	**-**	**7,511**
Net deferred tax	**1,585**	**420**	**(108)**	**1,897**
30 June 2018				
Gross deferred tax liabilities				
Inventories	(6,445)	2,912	-	(3,533)
Prepayments	(1,165)	122	-	(1,043)
Subsidy receivable	(303)	37	-	(266)
Property, plant & equipment	(761)	18	-	(743)
Other items	(172)	45	21	(106)
	(8,846)	**3,134**	**21**	**(5,691)**
Gross deferred tax assets				
Employee-related provisions	2,987	499	-	3,486
Property, plant & equipment	2,063	48	-	2,111
Payables	901	(138)	-	763
Other liabilities	659	151	-	810
Other items	312	(206)	-	106
	6,922	**354**	**-**	**7,276**
Net deferred tax	**(1,924)**	**3,488**	**21**	**1,585**

06 TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade receivables	8,579	7,504
Loss allowance	(31)	(31)
	8,548	**7,473**
Term deposits	1,968	1,946
Sundry debtors and other debtors	3,521	2,693
Prepayments	2,637	1,915
	16,674	**14,027**
Non-current		
Other receivables – at amortised cost	6,679	5,808
	6,679	**5,808**

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

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

Before accepting new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly.

Majority of the Group's revenue is derived from sales made through credit cards where counterparties are either banks or the credit card companies.

Term deposits are interest-bearing deposits held under the Group's workers compensation obligations. The amounts are restricted under these obligations.

	2019 $'000	2018 $'000
Ageing of past due but not impaired		
60 - 90 days	-	5
91 - 120 days or more	-	-
Total	**-**	**5**
Average age (days)	30	30
Movement in loss allowance		
Balance at the beginning of the year	(31)	(31)
Movement during the year	-	-
Balance at the end of the year	**(31)**	**(31)**
Ageing of impaired trade receivables		
120+ days	(31)	(31)
Total	**(31)**	**(31)**

07 INVENTORIES

	2019 $'000	2018 $'000
Consumable spares at cost		
Current	13,439	11,778
Non-current	8,055	12,356

08 PROPERTY, PLANT AND EQUIPMENT

	Opening gross carrying amount $'000	Additions $'000	Disposals / Reclassification $'000	Closing gross carrying amount $'000
At 30 June 2019				
Aircraft	187,421	5,912	(2,711)	190,622
Other property, plant and equipment				
Rotable assets	83,311	3,869	(3,014)	84,166
Engines	10,908	6,628	(3,800)	13,736
Plant and equipment	12,020	750	(1,397)	11,373
Land and buildings	37,166	366	(25)	37,507
Leasehold improvements	1,357	37	-	1,394
Motor vehicles	2,696	62	(84)	2,674
Furniture and fittings	1,021	34	(305)	750
Computer equipment	1,891	344	(145)	2,090
Other property, plant and equipment	150,370	12,090	(8,770)	153,690
Total property, plant and equipment	**337,791**	**18,002**	**(11,481)**	**344,312**
At 30 June 2018				
Aircraft	185,249	6,536	(4,364)	187,421
Other property, plant and equipment				
Rotable assets	79,273	8,654	(4,616)	83,311
Engines	9,944	1,183	(219)	10,908
Plant and equipment	11,888	762	(630)	12,020
Land and buildings	36,160	1,006	-	37,166
Leasehold improvements	1,340	17	-	1,357
Motor vehicles	2,574	166	(44)	2,696
Furniture and fittings	1,080	64	(123)	1,021
Computer equipment	2,791	96	(996)	1,891
Other property, plant and equipment	145,050	11,948	(6,628)	150,370
Total property, plant and equipment	**330,299**	**18,484**	**(10,992)**	**337,791**

	Opening accumulated depreciation and impairment $'000	Disposals / Reclassification $'000	Depreciation charge for the year $'000	Closing accumulated depreciation and impairment $'000
At 30 June 2019				
Aircraft	(94,330)	2,711	(9,825)	(101,444)
Other property, plant and equipment				
Rotable assets	(16,465)	2,947	(3,810)	(17,328)
Engines	(3,422)	1,414	(766)	(2,774)
Plant and equipment	(7,227)	1,383	(999)	(6,843)
Land and buildings	(6,815)	24	(988)	(7,779)
Leasehold improvements	(1,219)	-	(78)	(1,297)
Motor vehicles	(1,695)	84	(188)	(1,799)
Furniture and fittings	(853)	301	(41)	(593)
Computer equipment	(960)	145	(362)	(1,177)
Other property, plant and equipment	(38,656)	6,298	(7,232)	(39,590)
Total property, plant and equipment	**(132,986)**	**9,009**	**(17,057)**	**(141,034)**
At 30 June 2018				
Aircraft	(88,537)	3,462	(9,255)	(94,330)
Other property, plant and equipment				
Rotable assets	(17,554)	4,426	(3,337)	(16,465)
Engines	(2,759)	58	(721)	(3,422)
Plant and equipment	(6,810)	627	(1,044)	(7,227)
Land and buildings	(5,845)	-	(970)	(6,815)
Leasehold improvements	(1,165)	-	(54)	(1,219)
Motor vehicles	(1,536)	33	(192)	(1,695)
Furniture and fittings	(926)	121	(48)	(853)
Computer equipment	(1,583)	996	(373)	(960)
Other property, plant and equipment	(38,178)	6,261	(6,739)	(38,656)
Total property, plant and equipment	**(126,715)**	**9,723**	**(15,994)**	**(132,986)**

	Opening net carrying amount $'000	Closing net carrying amount $'000
At 30 June 2019		
Aircraft	93,091	89,178
Other property, plant and equipment		
Rotable assets	66,846	66,838
Engines	7,486	10,962
Plant and equipment	4,793	4,530
Land and buildings	30,351	29,728
Leasehold improvements	138	97
Motor vehicles	1,001	875
Furniture and fittings	168	157
Computer equipment	931	913
Other property, plant and equipment	111,714	114,100
Total property, plant and equipment	**204,805**	**203,278**
At 30 June 2018		
Aircraft	96,712	93,091
Other property, plant and equipment		
Rotable assets	61,719	66,846
Engines	7,185	7,486
Plant and equipment	5,078	4,793
Land and buildings	30,315	30,351
Leasehold improvements	175	138
Motor vehicles	1,038	1,001
Furniture and fittings	154	168
Computer equipment	1,208	931
Other property, plant and equipment	106,872	111,714
Total property, plant and equipment	**203,584**	**204,805**

09 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill $'000	Software and development costs $'000
At 30 June 2019		
Cost	518	2,648
Accumulated amortisation	-	(2,435)
Net carrying amount	**518**	**213**
Total goodwill and other intangible assets		**731**
Reconciliation		
At 1 July 2018, net of accumulated amortisation	518	306
Additions	-	28
Amortisation at 30 June 2019	-	(121)
At 30 June 2019, net of accumulated amortisation	**518**	**213**
Total goodwill and other intangible assets		**731**
At 30 June 2018		
Cost	518	2,351
Accumulated amortisation	-	(2,045)
Net carrying amount	**518**	**306**
Total goodwill and other intangible assets		**824**
Reconciliation		
At 1 July 2017, net of accumulated amortisation	518	335
Additions	-	193
Amortisation at 30 June 2018	-	(222)
At 30 June 2018, net of accumulated amortisation	**518**	**306**
Total goodwill and other intangible assets		**824**

IMPAIRMENT TESTING OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The Group has identified the following Cash Generating Units (CGUs) for assessing the carrying value of the Group's assets:

- Regional Express Holdings Limited (Rex)
- Pel-Air Aviation Pty Limited (Pel-Air)

Goodwill of $518 thousand relating to the passenger routes acquired in the acquisition of Air Link Pty Limited was transferred into the Rex CGU, as these routes are now operated by Rex.

VALUE-IN-USE CALCULATIONS

The recoverable amount of Rex and Pel-Air CGUs has been determined based on value-in-use calculations.

The value in use calculations of Rex and Pel-Air use cash flow projections based on financial budgets approved by the Board covering a 5 year forecast period, and a terminal value based upon an extrapolation of cash flows beyond the 5 year period using a constant growth rate which does not exceed the long term inflation rate. The cash flows are based on management's expectations regarding the market, fleet plans including the purchase of aircraft and operating costs. The discount rate applied reflects the weighted average cost of capital based on the risk-free rate for ten year Australia government bonds adjusted for a risk premium to reflect the risk of each CGU.

KEY ASSUMPTIONS

The following key assumptions were used in determining the value-in-use valuation models for the Rex and Pel-Air CGUs:

Key Assumptions	Rex CGU	Pel-Air CGU
(i) Discount rate	10.25%	11.00%
(ii) Revenue growth	2.00%	1.50 - 2.00%
(iii) Fuel cost escalation	2.00%	2.00%
(iv) Operating cost escalation	2.00%	2.00%

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

Cash outflows include expenditure for the purchase of aircraft and other property, plant and equipment and are based on the long term capital expenditure requirements of the Group.

As a result of the impairment testing performed at the CGU level, the Group assessed that the recoverable amount was greater than carrying amount and no impairment loss on these CGUs has been recognised in the current year (FY2018: nil).

SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis by considering reasonable changes in key assumptions, including discount rate, revenue growth, operating cost escalation, and fuel cost escalation.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase or decrease in the recoverable amount. Changes in one assumption could be accompanied by a change in another assumption, which may increase or decrease the recoverable amount of the CGU.

		Rex recoverable amount		Pel-Air recoverable amount	
	Increase/ Decrease by	(Decrease) / Increase $'000	Increase / (Decrease) $'000	(Decrease) / Increase $'000	Increase / (Decrease) $'000
Post tax discount rate %	0.5%	(8,637)	9,728	(465)	490
Revenue %	0.5%	62,318	(60,932)	2,337	(2,292)
Operating cost escalation %	0.5%	(46,307)	45,285	(1,793)	1,755
Fuel cost escalation %	0.5%	(8,083)	7,905	(318)	311

10 TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current		
Trade payables	10,095	9,537
Other payables	10,844	9,276
Total	**20,939**	**18,813**

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.

11 UNEARNED REVENUE

	2019 $'000	2018 $'000
Current		
Unearned passenger and charter revenue	23,412	24,037
Unearned training revenue	1,090	656
Total	**24,502**	**24,693**

12 BORROWINGS

	Effective interest rate %	2019 $'000	2018 $'000
Current			
Loan facility	9.1%	3,852	3,519
Finance leases		-	3,990
		3,852	**7,509**
Non-current			
Loan facility	9.1%	4,220	8,072
Finance leases		-	973
		4,220	**9,045**

The loan facility was used by a subsidiary, VAA Pty Ltd, to fund a number of aircraft assets. The loan is repayable over 10 years from July 2011 to June 2021. The liabilities are secured over the assets being funded, the carrying value of which exceeds the outstanding liabilities.

The finance leases were for purchase of Saab aircraft. The aircraft has been part of the operational fleet and was acquired at their lease end in March 2014. In November 2018, the Group fully discharged the finance leases, ahead of the original expiry date of August 2019.

13 PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee benefits		
Profit share, pilot retention bonus	2,605	2,876
Annual leave and long service leave	6,612	5,248
	9,217	**8,124**
Non-current		
Employee benefits		
Pilot retention bonus	1,589	1,204
Long service leave	659	611
	2,248	**1,815**
Total employee benefits provisions	**11,465**	**9,939**
Profit share, pilot retention bonus		
Balance at the beginning of the year	4,080	3,247
Arising during the year	2,662	2,768
Utilised	(2,548)	(1,935)
Balance at the end of the year	**4,194**	**4,080**
Annual leave and long service leave		
Balance at the beginning of the year	5,859	5,296
Arising during the year	8,128	6,900
Utilised	(6,716)	(6,337)
Balance at the end of the year	**7,271**	**5,859**

14 ISSUED CAPITAL

	2019		2018	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
At the beginning of the year	110,155	72,024	110,155	72,024
Movement during the year	-	-	-	-
At the end of the year	**110,155**	**72,024**	**110,155**	**72,024**

Share held as reserved shares by subsidiary company were 1,093 thousand (2018: 1,857 thousand).

15 RESERVED SHARES AND OTHER RESERVES

	2019 $'000	2018 $'000
Reserved shares		
Balance at the beginning of the year	(2,256)	(3,246)
Shares purchased as reserved shares	-	(86)
Share gift issued	1,093	1,076
Balance at the end of the year	**(1,163)**	**(2,256)**
Share-based payments reserve		
Balance at the beginning of the year	1,605	1,358
Share gift issued	(1,093)	(1,076)
Share gift plan provision transfer	(277)	-
Share gift plan provision	1,316	1,323
Balance at the end of the year	**1,551**	**1,605**
Cash flow hedge reserve		
Balance at the beginning of the year	-	49
Revaluation of cash flow hedges, net of tax	252	(49)
Balance at the end of the year	**252**	**-**
General reserve		
Balance at the beginning of the year	1,590	1,590
Movement during the year	-	-
Balance at the end of the year	**1,590**	**1,590**

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

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. Rex has established the share gift plan for its executive directors and eligible employees since FY2006.

The board decided that this plan will be offered to EA groups that opt for the plan, and all non-EA employees who are not the subject of an adverse recommendation by the Remunerations, Nominations and Disciplinary Committee. This plan is not based on any performance measures as it was established to show its recognition of employees' contribution to 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. Such shares will be issued to eligible employees on the relevant award dates. Non eligible employees are given the opportunity to salary sacrifice amounts to acquire Rex shares, with allocation of shares equal to 2% of the their base salary.

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.

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

16 EARNINGS PER SHARE

	2019 Cents per share	2018 Cents per share
Basic earnings per share	16.1	15.7
Diluted earnings per share	16.1	15.7

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

	2019 $'000	2018 $'000
Net profit	17,517	16,913
Earnings used in the calculation of basic earnings per share	17,517	16,913
Earnings used in the calculation of diluted earnings per share	17,517	16,913

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

	2019 No. '000	2018 No. '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	109,061	107,966
Weighted average number of ordinary shares for the purpose of diluted earnings per share	109,061	107,966

17 DIVIDENDS PAID AND PAYABLE

During the year, the Group paid 12 cents per share of fully franked dividend to holders of fully paid ordinary shares:

- 8 cents per share amounting to $8,812 thousand, was paid on 15 November 2018 in respect of results for FY2018, and
- 4 cents per share amounting to $4,406 thousand, was paid on 1 April 2019 in respect of results for FY2019's half year ended 31 December 2018.

$192 thousand of these dividends related to reserve shares held by the group (2018: $359 thousand).

In respect of financial year ended 30 June 2019, the directors have recommended 8 cents per share of fully franked dividend be paid to holders of fully paid ordinary shares (2018: 8 cents). This has not been included as a liability in these financial statements and the dividend will be paid to all shareholders on the Register of Members. The total estimated dividend to be paid is $8,812 thousand (2018: $8,812 thousand).

The movement in the franking account balance, including impact for dividends declared after the year end, is noted below:

	2019 $'000	2018 $'000
Adjusted franking account balance	44,086	38,213
Franking credit recognised that will arise from income tax payable as at the end of financial year	2,452	5,728
Impact on franking account balance of dividends not recognised	(3,777)	(3,777)

18 COMMITMENTS FOR EXPENDITURE

(A) CAPITAL EXPENDITURE COMMITMENTS

There are no commitments for the acquisition of property, plant and equipment as at 30 June 2019 (2018: nil)

(B) OPERATING LEASE COMMITMENTS

	2019 $'000	2018 $'000
Not later than one year	1,111	1,048
Later than one year and not later than five years	1,349	2,203
Later than five years	3,567	3,698
	6,027	**6,949**

(C) FINANCE LEASE LIABILITIES

The finance leases were for purchase of Saab aircraft. The aircraft has been part of the operational fleet and was acquired at their lease end in March 2014. In November 2018, the Group fully discharged the finance leases, ahead of the original expiry date of August 2019.

	Minimum lease payments		Present value of minimum lease payments	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Not later than one year	-	4,140	-	3,990
Later than one year and not later than five years	-	984	-	973
	-	5,124	-	4,963
Less future finance charges	-	(161)	-	-
Present value of minimum lease payments	-	4,963	-	4,963
Included in the consolidated financial statements as (Note 12)				
Current borrowings			-	3,990
Non-current borrowings			-	973
			-	**4,963**

19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are neither contingent liabilities nor contingent assets as at 30 June 2019 (2018: nil).

20 SUBSIDIARIES

		Ownership Interest %	
Name of entity	Country of incorporation	2019	2018
Parent entity			
Regional Express Holdings Limited	Australia		
Subsidiaries			
Regional Express Pty Limited	Australia	100	100
Rex Freight & Charter Pty Limited	Australia	100	100
Rex Investment Holdings Pty Limited	Australia	100	100
Pel-Air Aviation Pty Limited	Australia	100	100
Australian Airline Pilot Academy Pty Limited	Australia	100	100
VAA Pty Ltd	Australia	100	100
Air Link Pty Limited	Australia	-	100

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

DISPOSAL OF SUBSIDIARY

In September 2018, the Group disposed of Air Link Pty Limited through the sale of the subsidiary's shares and related aircraft for total consideration of $1,009 thousand. Details of the disposal are presented below.

	$'000
Consideration on sale	1,009
Less: cash disposed	(101)
Net cash received on disposal	**908**
Assets and liabilities disposed:	
Inventories	200
Trade and other receivables	4
Deferred tax assets	11
Trade and other payables	(115)
Net assets disposed	**100**
Gain on disposal	**808**

21 ACQUISITION OF BUSINESS

No business was acquired during the year.

22 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	2019 $'000	2018 $'000
Cash and bank balances	16,727	9,019
Short term deposits	5,000	15,000
	21,727	**24,019**

(B) RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2019 $'000	2018 $'000
Profit for the year	17,517	16,913
Depreciation and amortisation	17,178	16,218
Share-based payment	1,316	1,323
Unrealised foreign exchange (gain) / loss	(33)	34
Gain on disposal of business	(808)	-
(Gain) / loss on disposal of non-current assets	69	(683)
Interest received	(895)	(1,153)
Increase in receivables	(3,522)	(2,515)
Decrease in inventories	2,440	511
(increase) / decrease in other financial assets	(360)	140
Decrease in deferred tax	(323)	(3,509)
(Decrease) / increase in current tax payable	(3,276)	4,556
Decrease in other financial liabilities	-	(70)
Increase in trade payables	2,237	2,443
Increase in provisions	1,249	1,396
Increase / (decrease) in other liabilities	252	(49)
Net cash flows from operating activities	**33,041**	**35,555**

(C) FINANCING FACILITIES

	2019		2018	
	Used $'000	Limit $'000	Used $'000	Limit $'000
Maximum facilities available and reviewed annually:				
Loan facility (fund aircraft purchases)	8,075	8,381	11,595	12,699
Leases (fund aircraft purchases)	-	-	5,035	5,519
Transaction negotiations authority	-	2,700	-	2,900
Letter of credit	-	559	-	559
Set off	-	1,000	-	1,000
Guarantee	3,799	4,537	4,099	4,537
Credit card	85	595	92	620
	11.959	**17,772**	**20,821**	**27,834**

The facilities are secured by the Group's operating cash flows and properties located in South Australia, Adelaide, New South Wales at Don Kendell Drive Forest Hill, and Robey Street Mascot..

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

	Opening Balance $'000	Financing cash flows $'000	Other non-cash flows $'000	Closing balance $'000
30 June 2019				
Movements in financing activities:				
Loan facility (Note 12)	11,591	(3,519)	-	8,072
Finance leases (Note 12)	4,963	(4,963)	-	-
	16,554	(8,482)	-	8,072
30 June 2018				
Movements in financing activities:				
Loan facility (Note 12)	14,805	(3,214)	-	11,591
Finance leases (Note 12)	8,821	(3,858)	-	4,963
	23,626	(7,072)	-	16,554

23 FINANCIAL INSTRUMENTS

(A) CAPITAL RISK MANAGEMENT

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

The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of debt as disclosed in Note 12 and attributable to equity holders of the parent comprising issued capital, reserves as disclosed in Notes 14, 15 respectively, and retained earnings.

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

GEARING RATIO

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

The Group's financing facilities include a $29 million loan facility which is fixed-interest bearing and repayable over 10 years from July 2012 to June 2021.

During FY2014, the Group purchased 25 Saab 340B + aircraft, that were originally operating in the Rex fleet under a lease. The acquisition was partly funded by operating cash flows with the rest from bank finance leases. In November 2018, the Group fully discharged the finance leases, ahead of the original expiry date of August 2019.

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

	2019 $'000	2018 $'000
Debt [(i)]	8,072	16,554
Cash and cash equivalents	21,727	24,019
Excess cash and cash equivalents over debt	**13,655**	**7,465**
Equity [(ii)]	**205,419**	**199,484**
Excess cash to equity ratio	**6.6%**	**3.7%**

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

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

(B) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 $'000	2018 $'000
Financial assets		
Loans and receivables	20,716	17,920
Cash and bank balances	21,727	24,019
Derivative financial instruments	360	-
Investments – fair value through equity	9	9
Financial liabilities		
Amortised cost	29,011	35,367

(C) FINANCIAL RISK MANAGEMENT OBJECTIVES

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

(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 end of the financial year is as follows

Liabilities		Assets	
2019 USD$'000	2018 USD$'000	2019 USD$'000	2018 USD$'000
1,306	1,394	-	-

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to USD for the following main purchases, approximate amounts per annum are:

- USD 17 million for engineering purchases
- USD 16 million for engine care and maintenance
- USD 4 million for airline reservation systems usage
- USD 1 million for aircraft insurance policies
- USD 1 million for operating leases

The following table details 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. 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.

	2019 $'000	2018 $'000
Profit or loss	190	190

The Group's sensitivity to foreign currency has remained constant

FORWARD FOREIGN EXCHANGE CONTRACTS

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

(E) FUEL PRICE RISK MANAGEMENT

The Group may use jet fuel swap contracts to hedge exposure to movements in the price of aviation fuel. Jet fuel swaps are taken out from time to time to hedge exposures to a maximum of 12 months in accordance with the Group's risk management policies. The Group uses fuel swaps linked to the Platts Singapore Kerosene benchmark to hedge exposures to jet fuel.

The following table sets out the timing of the notional amount and the hedged jet fuel price of the Group's fuel hedging instruments:

	Hedged price $ per L	Notional amount L'000	Less than 1 year L'000	1 to 2 years L'000	2 to 5 years L'000
AUD fuel costs					
2019	0.70	13,692	13,692	-	-
2018	-	-	-	-	-

The following table details the sensitivity of the Group's financial assets and liabilities to a 20% increase and 20% decrease in the jet fuel price. A positive number indicates an increase in profit or loss and other equity where the jet fuel price weakens. For an increase in the jet fuel price there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative. This analysis assumes that all other variables remain constant and based on the designated hedge relationship at the reporting date.

		20% increase		20% decrease	
	Carrying amount $'000	Profit/(loss) $'000	Equity $'000	Profit/(loss) $'000	Equity L'000
2019					
Derivative asset – jet fuel swap	360	-	1,917	-	(1,917)
Derivative liability – jet fuel swap	-	-	-	-	-
	360	**-**	**1,917**	**-**	**(1,917)**
2018					
Derivative asset – jet fuel swap	-	-	-	-	-
Derivative liability – jet fuel swap	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

(F) INTEREST RATE RISK MANAGEMENT

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

(G) CREDIT RISK MANAGEMENT

The Group has limited exposure to credit risk as the 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 $50,000 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.

(H) 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 balance by the end of each financial year. As and when required, the Group uses financing facilities as detailed in Note 22.

LIQUIDITY AND INTEREST RISK TABLES

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

	1 month $'000	1-3 months $'000	3 months to a year $'000	1-5 years $'000	5+ years $'000
2019					
Non-interest bearing	20,939	-	-	-	-
Interest bearing	369	739	3,324	4,431	-
	21,308	**739**	**3,324**	**4,431**	**-**
2018					
Non-interest bearing	18,813	-	-	-	-
Interest bearing	369	1,774	6,429	9,847	-
	19,182	**1,774**	**6,429**	**9,847**	**-**

The interest-bearing liabilities have a weighted average effective interest rate of 9.1% per annum for the 10-year bank loan (FY2012 to FY2021), and 4.1% per annum for the bank finance leases which was fully discharged in November 2018.

(I) FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as disclosed below, the Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at the amortised cost in the financial statements approximate their fair values.

(J) FAIR VALUE HEIRARCHY

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

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

There were no transfers between levels during the year.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2019				
Financial assets carried at fair value				
Derivative asset – jet fuel swap	-	360	-	-
Derivative asset – foreign currency	-	-	-	-
Financial liabilities carried at fair value				
Derivative liability – jet fuel swap	-	-	-	-
30 June 2018				
Financial assets carried at fair value				
Derivative asset – jet fuel swap	-	-	-	-
Financial liabilities carried at fair value				
Derivative liability – jet fuel swap	-	-	-	-

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

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

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

24 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2019 $	2018 $
Short-term benefits	2,214,282	2,055,820
Post-employment benefits	179,960	166,846
Other long-term benefits	29,555	27,690
Share-based payment	29,751	27,845
	2,453,548	**2,278,201**

25 RELATED PARTY TRANSACTIONS

(A) EQUITY INTERESTS IN SUBSIDIARIES

Details of interests in subsidiaries are disclosed in Note 20 to the consolidated financial statements.

(B) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

(I) KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are disclosed in Note 24 to the consolidated financial statements.

(II) LOANS TO KEY MANAGEMENT PERSONNEL

There have been no loans made to key management personnel.

(C) OTHER RELATED PARTY TRANSACTIONS

The Branksome Residences Pty Ltd ("Branksome"), a related entity of the Chairman, provides hotel, conference and venue hire services to the Group. Total purchases from Branksome, mainly room hire for aircrew, were $339 thousand during the year (2018: $177 thousand for a 9-month period). In addition, the Group provides administrative services to Branksome and Greatland Development Pty Ltd, a related entity of the Chairman. The total income earned by the Group from these entities was $60 thousand (2018: $60 thousand).

26 REMUNERATION OF AUDITORS

	2019 $	2018 $
Audit and review of the consolidated financial statements	342,825	305,550
Other non-audit services - tax compliance, tax advice	34,650	36,225
	377,475	**341,775**

The auditor of the Group is Deloitte Touche Tohmatsu.

27 EVENTS AFTER THE REPORTING PERIOD

In July 2019, Pel-Air submitted a RFT response for the NSW Health Fixed-wing Air Ambulance Service. This Tender asked for the procurement of five new aircraft, along with the supply of pilots and maintenance to support the provision of 24/7 fixed-wing air ambulance services from Mascot, commencing January 2022.

In August 2019, the Group signed a letter of intent with Vinpearl Air for pilot training in Australian Airline Pilot Pty Limited (AAPA), and obtained a development approval to build a Simulator Centre at Rex's facility at Mascot, Sydney.

28 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 as follows:

- Regular public transport
- Charter

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

The following is an analysis of the Group's revenue and results by reportable operating segment for the year:

	Revenue		Segment result	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Continuing operations				
Regular public transport	289,134	269,802	27,945	28,994
Charter	28,515	25,735	5,044	4,295
	317,649	**295,537**	**32,989**	**33,289**
Finance income			895	1,153
Other gains / (losses)			1,111	289
Central administration costs and directors' salaries			(7,838)	(7,681)
Finance costs			(1,956)	(1,975)
Profit before tax			25,201	25,075
Tax expense			(7,684)	(8,162)
Consolidated segment revenue and profit	**317,649**	**295,537**	**17,517**	**16,913**

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

Segment result represents the profit earned by 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 and liabilities by reportable operating segment as at the end of the year:

	Assets		Liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Continuing operations				
Regular public transport	220,967	220,161	46,034	50,859
Charter	51,882	55,050	21,396	24,868
Total assets / liabilities	**272,849**	**275,211**	**67,430**	**75,727**

Other segment information for the year is as follows:

	Depreciation and amortisation		Additions to non-current assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Continuing operations				
Regular public transport	12,708	11,860	17,920	18,591
Charter	4,470	4,358	110	86
	17,178	**16,218**	**18,030**	**18,677**

29 PARENT ENTITY DISCLOSURES

	2019 $'000	2018 $'000
(A) FINANCIAL POSITION		
Assets		
Current assets	43,941	40,470
Non-current assets	176,056	185,931
Total assets	**219,997**	**226,401**
Liabilities		
Current liabilities	53,911	57,471
Non-current liabilities	1,816	3,144
Total liabilities	**55,727**	**60,615**
Equity		
Issued capital	72,024	72,024
Retained earnings	90,274	91,972
Share-based payments reserve	1,404	1,474
Cash flow hedge reserve	252	(49)
General reserve	316	365
Total equity	**164,270**	**165,786**
(B) FINANCIAL PERFORMANCE		
Profit for the year	11,070	12,840
Other comprehensive income / (loss)	252	(49)
Total comprehensive income	**11,322**	**12,791**

(C) GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

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

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

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Regional Express Holdings Limited, they also represent the 'Extended Closed Group'.

Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

Set out below is a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings of the closed group.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Passenger revenue	278,433	260,302
Freight revenue	1,505	1,437
Charter revenue	28,515	25,735
Other passenger services and amenities	1,279	2,601
Other revenue	7,917	5,462
Total revenue	**317,649**	**295,537**
Finance income	**895**	**1,153**
Other gains / (losses)	**1,111**	**289**
Flight and port operation costs (excluding fuel)	(60,882)	(58,394)
Fuel costs	(42,508)	(32,690)
Salaries and employee-related costs	(112,238)	(107,726)
Selling and marketing costs	(8,797)	(7,948)
Engineering and maintenance costs	(46,110)	(42,325)
Office and general administration costs	(7,838)	(7,681)
Finance costs	(1,956)	(1,975)
Depreciation and amortisation	(14,125)	(13,165)
Total costs and expenses	**(294,454)**	**(271,904)**
Profit before tax	**25,201**	**25,075**
Tax expense	(7,684)	(8,162)
Profit after tax	**17,517**	**16,913**
Other comprehensive income / (loss)		
Hedge reserve		
Revaluation of cash flow hedges	360	(70)
Income tax effect	(108)	21
Other comprehensive income / (loss), net of tax	**252**	**(49)**
Total comprehensive income	**17,769**	**16,864**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	123,954	122,103
Profit for the period	17,517	16,913
Dividends paid	(13,027)	(15,062)
Adjustment on adoption of AASB 15 Revenue	154	-
Retained earnings at the end of the financial year	**128,598**	**123,954**

Consolidated statement of financial position

Set out below is a consolidated statement of financial position of the closed group.

	2019 $'000	2018 $'000
Current assets		
Cash and bank balances	20,413	22,705
Trade and other receivables	16,674	14,027
Inventories	13,439	11,778
Other financial assets	360	-
Total current assets	**50,886**	**48,510**
Non-current assets		
Other receivables	6,679	5,808
Inventories	8,055	12,356
Investments – fair value through equity	9	9
Deferred tax assets	1,897	1,585
Property, plant and equipment		
Aircraft	76,964	77,824
Other property, plant and equipment	114,100	111,714
Goodwill and other intangible assets	731	824
Total non-current assets	**208,435**	**210,120**
Total assets	**259,321**	**258,631**
Current liabilities		
Trade and other payables	18,049	16,390
Unearned revenue	24,502	24,693
Borrowings	-	3,990
Provisions	9,217	8,124
Current tax payable	2,452	5,728
Total current liabilities	**54,220**	**58,925**
Non-current liabilities		
Borrowings	-	973
Provisions	2,248	1,815
Total non-current liabilities	**2,248**	**2,788**
Total liabilities	**56,469**	**61,714**
Net assets	**202,852**	**196,917**
Equity		
Issued capital	72,024	72,024
Reserved shares	(1,163)	(2,256)
Retained earnings	128,598	123,954
Share-based payments reserve	1,551	1,605
Other reserves	1,842	1,590
Total equity	**202,852**	**196,917**

(D) CONTINGENT LIABILITIES OF THE PARENT ENTITY

As at 30 June 2019, no contingent liabilities or assets existed (2018: nil).

(E) COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY

As at 30 June 2019, the parent entity has no commitment for the acquisition of property, plant and equipment.

30 SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

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

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

The financial statements were authorised for issue by the directors on 23 August 2019.

(B) BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis. In preparing the consolidated financial statements the directors note that the Group and Company are in a net current asset deficiency position, due to the nature of the operations whereby customers make payment for booked flights prior to the flights being taken. The directors have prepared a cash flow forecast which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements amounts in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

(C) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

(D) REVENUE

REGULAR PUBLIC TRANSPORT, CHARTER AND FREIGHT REVENUE

The Group operates a number of air transport services:

- Regular public transport
- Charter services
- Freight services

Revenue from these services is recognised as revenue when the transportation service is provided.

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

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

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

TRAINING REVENUE

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

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

(E) BORROWING COSTS

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

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

(F) CASH AND CASH EQUIVALENTS

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

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

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

(G) FOREIGN CURRENCIES

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer to Note 23).

(H) DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into jet fuel swap and foreign exchange derivatives to hedge exposures to jet fuel prices and foreign exchange respectively. It is the Group's policy not to enter into or hold derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognised at fair value both initially and on an ongoing basis. Transaction costs attributable to the derivative are recognised in profit or loss when incurred.

HEDGE ACCOUNTING

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

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

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

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

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

(I) EMPLOYEE BENEFITS

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

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

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

(J) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

EFFECTIVE INTEREST METHOD

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Dividends on investments at fair value through other comprehensive income are recognised in profit and loss when the Group's right to receive payments is established.

LOANS AND RECEIVABLES

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

Interest is recognised by applying the effective interest rate.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

Fair value is determined in the manner described in Note 23.

IMPAIRMENT OF FINANCIAL ASSETS

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

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

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the entry of the debtor into administration or liquidation.

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

(K) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

CLASSIFICATION OF DEBT OR EQUITY

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

FINANCIAL LIABILITIES

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 23.

OTHER FINANCIAL LIABILITIES AT AMORTISED COST

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

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

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

(L) GOODWILL

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

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

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

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

(M) GOVERNMENT GRANTS

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

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

(N) IMPAIRMENT OF OTHER TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

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

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

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

(O) TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX

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

DEFERRED TAX

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

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

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

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

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

CURRENT AND DEFERRED TAX FOR THE PERIOD

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

(P) INTANGIBLE ASSETS

INTANGIBLE ASSETS ACQUIRED SEPARATELY

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

The policies applied to finite intangible assets are as follows:

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

(Q) INVENTORIES

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

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

(R) LEASING

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

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 statement of financial position 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 recognised immediately in profit and loss, 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 30E. 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.

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.

(S) PROPERTY, PLANT AND EQUIPMENT

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

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

The rates applied are as follows:

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

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

(T) PROVISIONS

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

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

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

(U) SHARE-BASED PAYMENTS

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 15.

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

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

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

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

(V) GOODS AND SERVICES TAX

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

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

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

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

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

(W) DIVIDEND AND INTEREST INCOME

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

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

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

DIRECTORS' DECLARATION

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) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 30 to the consolidated financial statements;

(c) 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; and

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 29 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Neville Howell

Chief Operating Officer

23 August 2019

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Regional Express Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Valuation of unearned revenue As at 30 June 2019, the Group recognised unearned revenue of $24.502 million as disclosed in Note 11. The Group's calculation of unearned revenue in respect of flights purchased but not yet flown requires significant judgment, requiring significant volumes of data from flight booking systems and passenger reports to be analysed and matched, along with estimated adjustments to unearned revenue such as the level of no-shows.	Our procedures included, but were not limited to: • Assessing the accounting policies adopted by the Group in relation to revenue recognition; • Testing a sample of controls in the determination of unearned revenue; • Testing the flight booking systems and passenger reports by comparing a sample of flight information to the cash receipt and flight data; • Agreeing the inputs in the reconciliation of unearned revenue to external flight booking systems; and • Challenging the assumptions used by management in relation to the rate of no-shows to assess the no-show revenue to be recognised in profit or loss. We also assessed the appropriateness of the disclosures in Note 4, Note 11 and Note 30 to the financial statements.

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Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Carrying value of aircraft and other property plant & equipment As at 30 June 2019 the Group has recognised aircraft and other property plant & equipment of $89.178 million and $114.100 million respectively. Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of aircraft and other property, plant & equipment. Impairment indicators are assessed with reference either to the asset in question or the cash-generating unit (CGU) to which the asset relates. The Group has identified two CGUs for the purposes of assessing the carrying value of aircraft and other property, plant & equipment: • Pel-Air Aviation Pty Limited (Pel-Air); and • Regional Express Holdings Limited (REX). The Group measures the recoverable amount of the CGUs through value in use models. As disclosed in Note 9, there are a number of key estimates made which require significant judgement in determining the inputs into these models which include: • Growth rates for revenue, operating costs and fuel costs; • Capital expenditure; and • Discount rate.	Our procedures included, but were not limited to: • Assessing identification of the CGUs and determining whether indicators of impairment exist; • Assessing management's assertions and estimates regarding estimated useful lives and residual values using valuation reports published by third party specialists, industry data and the Group's historical experience and future operating plans; • Challenging the assumptions used in management's impairment analysis by assessing the reliability of management's past estimates and taking into account recent industry developments and each CGU's future operating plans; • Assessing the reasonableness of the basis adopted by management in determining the other key inputs and assumptions underlying the calculations in the models; and • Performing sensitivity analysis on the key model inputs and assumptions. We also assessed the appropriateness of the disclosures in Note 9 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves a fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 23 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Regional Express Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of Regional Express Holdings Limited 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.

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Damien Cork
Partner
Chartered Accountants
Sydney, 23 August 2019

ASX ADDITIONAL INFORMATION AS AT 17 SEPTEMBER 2019

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

110,154,375 fully paid ordinary shares are held by 2,325 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	734	392,334	0.36
1,001 – 5,000	1,028	2,769,548	2.51
5,001 – 10,000	241	1,892,984	1.72
10,001 – 100,000	264	7,304,702	6.63
100,001 and over	58	97,794,807	88.78
Total	**2,325**	**110,154,375**	**100**
Unmarketable Parcels	218	27,744	0.03

SUBSTANTIAL SHAREHOLDERS

	Fully Paid	
Ordinary Shareholders	Number	Percentage
KIM HAI LIM	18,998,346	17.25
JOE TIAU TJOA	16,234,094	14.74
THIAN SOO LEE	7,722,181	7.01
MING YEW SEE TOH & HUI ING TJOA	7,454,362	6.77
JOO CHYE CHUA	7,454,362	6.77
HUI LING TJOA	5,755,513	5.22

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	Fully Paid	
Ordinary Shareholders	Number	Percentage
MR KIM HAI LIM	18,998,346	17.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,234,094	14.74
THIAN SOO LEE	7,722,181	7.01
MING YEW SEE TOH & HUI ING TJOA	7,454,362	6.77
JOO CHYE CHUA	7,454,362	6.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,606,712	6.00
MS HUI LING TJOA	5,755,513	5.22
ANACACIA PTY LTD	3,727,181	3.38
LAY KHIM NG	2,869,997	2.61
REX INVESTMENT HOLDINGS PTY LIMITED	2,573,383	2.34
PACIFIC CUSTODIANS PTY LIMITED	2,250,317	2.04
CITICORP NOMINEES PTY LIMITED	1,757,118	1.60
MR NICHOLAS BARRY DEBENHAM	1,222,701	1.11
MR MICHAEL KARL KORBER	1,100,000	1.00
REX INVESTMENT HOLDINGS PTY LIMITED	1,093,185	0.99
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,040,585	0.94
STRATEGIC VALUE PTY LTD	918,115	0.83
MR THIAN SONG TJOA	800,000	0.73
MR GUY FARROW	557,616	0.51
NEWECONOMY COM AU NOMINEES PTY LIMITED	523,010	0.47

REX GROUP OF COMPANIES

rex. PEL-AIR AAPA AUSTRALIAN AIRLINE PILOT ACADEMY