REGIONAL EXPRESS HOLDINGS LIMITED

ABN 18 099 547 270

LODGE YOUR VOTE

ONLINE www.linkmarketservices.com.au

By mail:
Regional Express Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

All enquiries to: Telephone: +61 1300 735 980

PROXY FORM

I/We being a member(s) of Regional Express Holdings Limited and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY

☐ **the Chairman of the Meeting** ***(mark box)***

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at **11:00am on Wednesday, 26 November 2014 at Level 3 Board Room, 81 – 83 Baxter Road, Mascot, NSW 2020** (the Meeting) and at any postponement or adjournment of the Meeting.

I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2 VOTING DIRECTIONS

	For	Against	Abstain*
Resolution 1 Adoption of Remuneration Report	☐	☐	☐
Resolution 2 Re-election of James Davis as a Director	☐	☐	☐
Resolution 3 Re-election of Chris Hine as a Director	☐	☐	☐
Resolution 4 Re-election of Ronald Bartsch as a Director	☐	☐	☐
Resolution 5 Re-election of Neville Howell as a Director	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business – Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Monday, 24 November 2014,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

by mail:

Regional Express Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

by fax:

+61 2 9287 0309

by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.

Regional Express Holdings Limited

Annual General Meeting

2014

Date of meeting	26 November 2014
Time of meeting	11 am, Sydney time
Place of meeting	Level 3 Board Room 81 – 83 Baxter Road Mascot NSW 2020

Regional Express Holdings Limited
(ABN 18 099 547 270)
Notice of Annual General Meeting and Explanatory Notes

This page has been intentionally left blank.

Contents of this booklet

Documents accompanying this booklet

1. Proxy Form for the Meeting
2. Reply paid envelope

Important dates

Deadline for return of Proxy Forms: 11 am, Sydney time on 24 November 2014

Voting entitlement date: 7 pm, Sydney time on 24 November 2014

Date and time of Meeting: 11 am, Sydney time on 26 November 2014

Meeting procedure

The Meeting will be conducted by the Chairperson, subject to the discretion of the Chairperson to adjourn or reconvene the meeting. Each resolution will be voted on separately.

Other parts of the notice of meeting

The Chairman's letter and the Explanatory Notes form part of the Notice of Meeting.

How to vote

Eligibility to vote

For the purposes of the Meeting, a Member will be entitled to vote at the Meeting if they are recorded on the Company's register of members at 7.00 pm, Sydney time on 24 November 2014 (the *Voting Entitlement Date*).

Voting in person

If you are proposing to attend the Meeting and vote, there is no need for you to take any further action at this time.

Voting by corporate representative

Body corporate Members should complete a "Corporate Letter of Representation" to enable a person to attend the Meeting on their behalf. A form of this certificate may be obtained from the Registrar by calling 1300 735 980 (within Australia) or +61 2 8280 7136 (outside Australia).

Voting by proxy

If you are not attending the Meeting and you wish to vote you must complete and lodge the enclosed Proxy Form.

A reply paid envelope is enclosed for the Proxy Form. Proxies may also be submitted by fax.

More information about how to vote and lodge proxies is contained in the Explanatory Notes and the Proxy Form.

Defined terms

A number of defined terms are used in this Notice of Meeting. These terms are explained in the Glossary.

Further assistance

General queries about the Meeting and voting arrangements should be directed to:

Irwin Tan or Benjamin Ng
Company Secretaries
CompanySecretary@rex.com.au
Tel: +61 2 9023 3555

10 October 2014

Dear Member

Annual General Meeting 2014

Please find enclosed information relating to the Regional Express Holdings Limited Annual General Meeting to be held at 11 am, Sydney time on 26 November 2014.

The AGM will provide an overview of the Company's activities for the period ended 30 June 2014, as well as an update on recent developments. In addition, Members will be given the opportunity to consider and vote on a number of matters, as follows:

Consideration of financial statements

The Company will be reporting to you on its financial performance for the financial year ended 30 June 2014.

Remuneration report

Members will be asked to vote on the remuneration report section of the Directors' Report in the Annual Report.

Consistent with the *Corporations Act 2001* (Cth), Members should note that the vote is not binding.

Re-election of Directors

Members will be asked to vote on the re-election of four Directors to the Company's board of Directors.

The proposed resolutions are set out in full in the enclosed Notice of Meeting and an explanation of each resolution is set out in the enclosed Explanatory Notes.

If you are unable to attend the Meeting, the Directors encourage you to cast your vote by completing, signing and returning the enclosed Proxy Form.

I urge all Members to read this booklet carefully before voting on the proposed resolutions. If you are undecided what to do, you should consult your accountant, stockbroker or other professional adviser.

I look forward to seeing you at the Meeting.

Lim Kim Hai
Executive Chairman

Notice of Annual General Meeting for Regional Express Holdings (ABN 18 099 547 270)

Regional Express Holdings Limited (*Company*) gives notice that the Annual General Meeting of the Company will be held at Level 3 Board Room, 81 – 83 Baxter Road, Mascot, NSW 2020 on 26 November 2014 at 11 am.

The Explanatory Notes accompanying and forming part of this Notice of Meeting describe in more detail the matters to be considered.

The following will be transacted at the meeting.

Ordinary business

Item 1 - Annual Report

To receive and consider the financial report of the Company and its controlled entities for the financial year ended 30 June 2014, and the related Directors' Report, Directors' Declaration and Auditor's Report.

Resolution 1 - Adoption of remuneration report

To consider, and if thought fit, pass the following as a non-binding ordinary resolution:

"That the remuneration report, as set out in the Directors' Report for the Company and its controlled entities for the financial year ended 30 June 2014, be adopted."

A voting restriction applies to Resolution 1 – see the Explanatory Notes to the Notice of Meeting for details.

Resolution 2 – Re-election of James Davis as a Director

To consider, and if thought fit, pass the following as an ordinary resolution:

"That James Davis, being a Director of the Company, who retires in accordance with ASX Listing Rule 14.4 and article 20.1 of the Company's constitution, and being eligible, offers himself for re-election, is re-elected as a Director of the Company."

Resolution 3 – Re-election of Chris Hine as a Director

To consider, and if thought fit, pass the following as an ordinary resolution:

"That Chris Hine, being a Director of the Company, who retires in accordance with ASX Listing Rule 14.4 and article 20.1 of the Company's constitution, and being eligible, offers himself for re-election, is re-elected as a Director of the Company."

Resolution 4 – Re-election of Ronald Bartsch as a Director

To consider, and if thought fit, pass the following as an ordinary resolution:

"That Ronald Bartsch, being a Director of the Company, who retires in accordance with ASX Listing Rule 14.4 and article 20.1 of the Company's constitution, and being eligible, offers himself for re-election, is re-elected as a Director of the Company."

Resolution 5 – Re-election of Neville Howell as a Director

To consider, and if thought fit, pass the following as an ordinary resolution:

"That Neville Howell, being a Director of the Company appointed to the Board since the last Annual General Meeting, and being eligible, offers himself for re-election, is re-elected as a Director of the Company."

BY ORDER OF THE BOARD

Dated: 10 October 2014

Irwin Tan
Company Secretary

Explanatory Notes to the Notice of Meeting

Annual Report

The Annual Report for consideration at the Company Meeting will consist of the financial statements of the Company for the financial year ending on 30 June 2014, the notes to those financial statements, the Directors' declaration about the statements and notes, the Directors' report and the auditor's report.

Neither the *Corporations Act 2001* (Cth) nor the Company's constitution requires a vote of the Members on the statements or the reports. However, Members will be given the opportunity to raise questions or comments on the statements and reports at the Company Meeting. In addition, a reasonable opportunity will be given to Members as a whole at the Company Meeting to ask the Company's auditor questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

Adoption of the remuneration report

The *Corporations Act 2001* (Cth) requires that a resolution must be put to Members that the remuneration report of the Company be adopted. The remuneration report of the Company, which forms part of the Directors' report, is set out on pages 20 to 23 of the Annual Report. The remuneration report sets out the Company's remuneration policy and reports the remuneration arrangements in place for executive Directors and non-executive Directors.

Under the *Corporations Act 2001* (Cth), the resolution of the Members that the remuneration report of the Company be adopted, or any failure to pass that resolution, is advisory only and does not bind the Company or its Directors.

However the Board will consider the outcome of the vote and comments made by Members on the remuneration report at the meeting when reviewing the Company's remuneration policies and practices.

Further, if 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs, Members will be required to vote at the second of those AGMs on a "board spill resolution" to determine whether that another meeting should be held within 90 days at which all of the Company's Directors (other than the Chief Executive Officer) must stand for re-election.

There are also restrictions on who can vote in respect of any resolution to approve the remuneration report, so that a vote on Resolution 1 must not be cast, and the Company will disregard any votes cast, (in any capacity) by or on behalf of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the remuneration report; or

(b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 and the Company need not disregard the vote, if:

- the person does so as proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and

- the vote is not cast on behalf of a person described in (a) or (b) above.

For the purposes of such voting exclusions under the Corporations Act, Key Management Personnel and Closely Related Parties are defined in the Glossary and essentially:

- Key Management Personnel means the Directors and any other person specified as Key Management Personnel in the Company's remuneration report; and
- their Closely Related Parties include certain family members, dependents and companies they control.

If you choose to appoint a proxy, you are encouraged to direct your proxy on how to vote on Resolution 1 (remuneration report) by marking either "For", "Against" or "Abstain" on the proxy form for that item of business. Further, if you appoint the Chairman as your proxy and your proxy does not specify whether to vote "For", "Against" or "Abstain", then your undirected proxy on Resolution 1 (remuneration report) held by the Chairman will be taken as a direction to the Chairman to vote in accordance with his stated voting intention which is to vote in favour of this Resolution 1.

The Company encourages all Members to cast their votes on Resolution 1 (remuneration report).

The Board of Directors recommends that Members vote in favour of the adoption of the remuneration report.

Re-election of Directors

Retirement by rotation

In accordance with ASX Listing Rule 14.4 and Article 20.1 of the Company's constitution, a Director must retire from office and may seek re-election by no later than the third AGM following their appointment or election or 3 years, whichever is longer.

The following Directors, retire as required by Article 20.1 of the Company's constitution and ASX Listing Rule 14.4 and, being eligible, offer themselves for re-election as Directors of the Company:

James Davis

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. He joined Hazelton Airlines in 1999 as Flight Operations and Standards Manager and later became Chief Pilot. He has been with Rex since its beginning 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 companies Pel-Air Aviation Pty Ltd and Air Link Pty Ltd. He is currently Chairman of the Regional Aviation Association of Australia (RAAA).

Mr. Davis was appointed to the board of the Company on 26 August 2004 and he was re-elected as Director at the Company's AGM on 23 November 2011.

The Board of Directors recommends that Members vote in favour of the re-election of James Davis as Director.

Chris Hine

Mr. Hine has over 20 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 prior to his previous role as Chief Operating Officer was 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. He was the Chairman of the Australian Airline Pilot Academy Pty Ltd (AAPA).

Mr. Hine was appointed to the board of the Company on 1 March 2011 and he was re-elected as Director at the Company's AGM on 23 November 2011.

The Board of Directors recommends that Members vote in favour of the re-election of Chris Hine as Director.

Ronald Bartsch

Mr. Bartsch has over 35 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 CASA Sydney Airline Transport Field Office. In addition, Mr. Bartsch is an experienced pilot and has extensive legal and regulatory experience. Mr. Bartsch has formal qualifications in law, education and science, and is the author of the definitive legal textbook on aviation law. Mr. Bartsch is an international aviation safety consultant and senior visiting fellow with the Department of Aviation at the University of New South Wales. He is an aviation specialist member of the Administrative Appeals Tribunal and author of several publications including Aviation Law in Australia and International Aviation Law.

Mr. Bartsch was appointed to the board of the Company on 23 November 2010 and he was re-elected as Director at the Company's AGM on 23 November 2011.

The Board of Directors recommends that Members vote in favour of the re-election of Ronald Bartsch as Director.

Confirmation of appointment

In accordance with ASX Listing Rule 14.4 and Article 19.5 of the Company's constitution, a Director appointed by the board to fill a casual vacancy must retire from office and may seek re-election at the next AGM following their appointment.

Mr Neville Howell was appointed to Board of Directors since the last AGM and as required by Article 19.5 of the Company's constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election as a Director of the Company.

Neville Howell

Mr. Howell has over 33 years of aviation experience and has been with the Company since its inception in August 2002. He has 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 GM 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 a number of aviation subjects and has a Diploma of Aviation. He holds a number of Civil Aviation Safety Authority (CASA) delegations and has done 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 was appointed to the board of the Company on 1 July 2014.

The Board of Directors recommends that Members vote in favour of the re-election of Neville Howell as Director.

Proxies

Proxy votes

If you do not plan to attend the Meeting in person, you are encouraged to complete and return the Proxy Form which accompanies the Notice of Meeting.

Any Member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to vote on their behalf in respect of each share they hold in the Company. If two proxies are appointed, the Member may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the votes. A proxy need not be a Member.

The Proxy Form contains voting instructions and other important information which you should read carefully.

To be effective, Proxy Forms (duly completed and with any necessary documentation) must be received by 11 am, Sydney time on 26 November 2014.

Proxy Forms may be returned by any of the following means:

By mailing it to:

Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or Locked Bag A14, Sydney South, NSW 1235 Australia using the reply paid envelope enclosed with this booklet.

By faxing it to:

(02) 9287 0309 (within Australia)

+61 2 9287 0309 (outside Australia)

By hand delivering it to:

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

By lodging it online at:

http://www.linkmarketservices.com.au

Proxy Forms must be signed by a Member or the Member's attorney or, if the Member is a body corporate, by two directors or by a director and secretary, or of it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer.

If a proxy is signed by a Member's attorney, the power of attorney must have been previously noted by the Registrar or a certified copy thereof must also be received by 11 am, Sydney time on 24 November 2014.

Appointment of the Chairman or other Key Management Personnel as your proxy

Due to the voting exclusions and requirements referred to in the Explanatory Notes, if you intend to appoint the Chairman or any other member of Key Management Personnel or their Closely Related Parties as your proxy, you are encouraged to direct your proxy on how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" on the proxy form for the relevant item of business.

The Chairman's stated voting intention would be to vote any undirected proxies in favour of all proposed Resolutions.

Further you should note that:

- if you execute a proxy form and do not nominate a person to act as your proxy, the Chairman will be appointed as your proxy by default;

- if you appoint the Chairman as your proxy or the Chairman is appointed as your proxy by default, and the proxy form does not specify whether to vote "For", "Against" or "Abstain", your undirected proxies held by the Chairman will be taken as a direction to the Chairman to vote in accordance with his stated voting intention, which is to vote in favour of all Resolutions (including Resolution 1 (remuneration report);

- you will be taken to authorize the Chairman to exercise the proxy even if the relevant Resolution is connected directly or indirectly with the remuneration of the Key Management Personnel or the Chairman has an interest in the outcome of the relevant Resolution.

Members always have the ability to appoint the Chairman as their proxy to cast the votes contrary to the Chairman's stated voting intention or to abstain from voting on Resolution 1.

If you appoint someone other than the Chairman as your proxy who is another member of Key Management Personnel or their Closely Related Parties and do not direct them how to vote on Resolution 1, then your proxy will not be voted on that Resolution.

Glossary

AGM	Annual General Meeting
Annual Report	In the case of the Company, the financial statements of the Company for the financial year ended 30 June 2014, the notes to those financial statements, the Directors' declaration about the statements and notes, the Directors' report and the auditor's report
ASX	ASX Limited (ACN 008 624 691)
Booklet	This booklet, comprising the Chairman's letter, the Notice of Meeting, the Explanatory Notes and accompanying documents
Closely Related Party	means, as defined in the *Corporations Act 2001* (Cth), a closely related party of a member of the Key Management Personnel for an entity: a) a spouse or child of the member; or b) a child of the member's spouse; or c) a dependant of the member or of the member's spouse; or d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or e) a company the member controls; or f) a person prescribed by the Corporations Regulations 2001 (Cth).
Company	Regional Express Holdings Limited (ABN 18 099 547 270)
Directors	The directors of the Company from time to time and "Director" means any one of them
Explanatory Notes	Explanatory Notes to the Notice of Meeting
Key Management Personnel	has the same meaning given in the accounting standards and, in broad terms, includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly). For the purposes of this AGM, Key Management Personnel are those people described as Key Management Personnel in the Company's Annual Report.
Meeting	The AGM of the Company to be held at Level 3 Board Room, 81 – 83 Baxter Road, Mascot, NSW 2020 at 11 am Sydney time on 26 November 2014.
Notice of Meeting	The notice of the Meeting (together with the Chairman's letter and Explanatory Notes) enclosed in this Booklet

Registrar	Link Market Services Limited (ACN 083 214 537)
Member	A person who is entered in the Company's members' register from time to time as the holder of shares in the capital of the Company
Voting Entitlement Date	7.00 pm Sydney time on 24 November 2014, being the time and date for determining the eligibility of Members to vote at the Meeting

Corporate directory

Regional Express Holdings Limited
81 – 83 Baxter Road, Mascot, NSW 2020

Tel: +61 2 9023 3555
Website: http://www.rex.com.au

Directors of the Company
Lim Kim Hai
Lee Thian Soo
Neville Howell
James Davis
John Sharp
Chris Hine
Ronald Bartsch
Garry Filmer

Secretaries of the Company
Irwin Tan
Benjamin Ng

Registrar
Link Market Services Limited

Tel: +61 1300 735 980
Website: http://www.linkmarketservices.com.au

Regional Express

Last Man Standing

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

REGIONAL EXPRESS HOLDINGS LIMITED

REGIONAL EXPRESS VALUE STATEMENT

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

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.

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.

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.

LAST MAN STANDING

It would be an understatement to say that Australian aviation is in crisis.

Both the Qantas and Virgin Australia groups are losing money at a rate that would see their net tangible assets wiped out in three years or less unless they manage to recapitalise.

The situation is much worse in the regional aviation sector. In the last nine months alone, three more names have been added to the graveyard of Australian regional carriers since 9/11:

Horizon Airlines (2004), Great Western Airlines (2005), Airlines of South Australia (2005), Emu Airways (2005), Aboriginal Air Services (2006), Sunshine Express (2006), Big Sky Express (2006), Transair (2006), O'Connor Airlines (2007), Aero-Tropics Air Services (2008), MacAir Airlines (2009), Regional Pacific Airlines (2010), Tasair (2012), Aeropelican (2013), Brindabella Airlines (2013), and Vincent Aviation (2014).

Rex has not been spared, and I have the unpleasant task of reporting a steep profit decline of 44% following the prior year's 45% decline. However, the Rex Group still remains profitable with $10.7 million (M) PBT. This makes us Australia's most profitable listed passenger airline for the third year running.

In fact, incredible as it sounds, Rex has more accumulated PBT than Qantas or Virgin Australia over the last nine years!

Why is Rex so resilient? It is inbuilt in our DNA that we can only rely on ourselves and so we must save for a rainy day. From the very first day of our existence 12 years ago, we have consciously eschewed borrowings, choosing to grow at a pace that is in harmony with our cash flow. Just as we see in the story of Joseph in the Bible, we made use of the good years for shoring up our defences against the bad years.

With its very strong balance sheet, Rex has not hesitated to embark on its most ambitious investment programme to date, acquiring over $56 M worth of productive assets in the financial year, just as we also invested heavily the year after the Global Financial Crisis.

So as we embark on yet another uncertain year ahead, we face it with serenity and muted optimism. Rex is the only listed passenger airline left that is making a profit, and as long as we continue to do so, we have the capability to ride out this crisis. There are already some very preliminary signs that we are near the bottom of the economic downturn and the recent removal of the carbon tax should give the economy a further boost. When the inevitable recovery takes place Rex will be there, stronger and better prepared than ever, and I am confident that our best is yet to be.

Thank you for your continued confidence in the company and the patience you have exercised. God willing, I and all 1,000 staff in the Group will make this worth your while.

Lim Kim Hai
Executive Chairman
28 August 2014

FOREWORD

corporate information

This annual report covers both Regional Express Holdings Limited as an individual entity and the consolidated entity comprising Regional Express Holdings Limited and its subsidiaries.
The Group's functional and presentation currency is AUD ($).

Directors

Lim Kim Hai
The Hon. John Sharp
James Davis
Chris Hine
Lee Thian Soo
Ronald Bartsch
Garry Filmer
Neville Howell

Company Secretaries

Irwin Tan
Benjamin Ng

Registered Office

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

Share Registry

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

Solicitor

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

Banker

Westpac Banking Corporation

Auditor

Deloitte Touche Tohmatsu

contents

directors' report

01 BOARD OF DIRECTORS

In compliance with the provisions of the Corporations Act 2001, the directors of Regional Express Holdings Limited ('Rex') submit herewith the annual report for Rex and its consolidated entities (the 'Group') for the financial year (FY) ended 30 June 2014.

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

1. LIM KIM HAI

Executive Chairman

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

Mr. Lim started his career as a Defence Engineer specialising in underwater warfare. After 10 years he left to start his own business. Currently he has a portfolio of investment and business interests in diverse sectors and countries. He is also the Chairman of a biomedical company in Singapore, Lynk Biotechnologies Pte Ltd as well as Chairman of WooWorld Pte Ltd, a supplier of mobile games and content to telecommunication companies in Japan and South East Asia.

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

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

2. THE HON. JOHN SHARP

Deputy Chairman and Independent Director

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

The Honourable John Sharp 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 and since 2001 has been a director of Airbus Group, Australia Pacific. He has retired as Chairman of the Parsons Brinkerhoff Advisory Board, an engineering and design company operating throughout Australia and the region. He is also Chairman of Power and Data Corporation Pty Limited and Chairman of Pel-Air Aviation Pty Ltd. Mr. Sharp is a Trustee and Board Member of John McKeown House, Honorary Federal Treasurer, National Party of Australia and has retired as Chairman of Winifred West Schools Foundation. He is a member of the University of Wollongong Vice Chancellor's Advisory Board. He is also currently a director of the Tudor House Foundation. He 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. 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.

3. JAMES DAVIS

Independent Director

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

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. He joined Hazelton Airlines in 1999 as Flight Operations and Standards Manager and later became Chief Pilot. He has been with Rex since its beginning 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 companies Pel-Air Aviation Pty Ltd and Air Link Pty Ltd. He is currently Chairman of the Regional Aviation Association of Australia (RAAA).

4. NEVILLE HOWELL

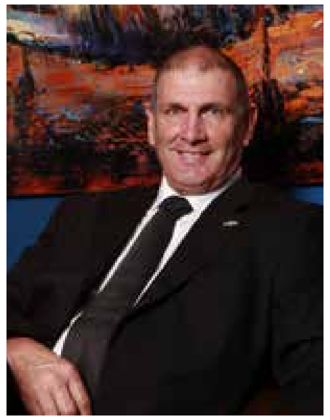
Chief Operating Officer

Appointed 1 July 2014 as Executive Director.

Mr. Howell has over 33 years of aviation experience and has been with the Company since its inception in August 2002. He has 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 GM 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 a number of aviation subjects and has a Diploma of Aviation. He holds a number of Civil Aviation Safety Authority (CASA) delegations and has done 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.

5. GARRY FILMER

Chief Operating Officer
until 30 June 2014.
Alternate Director to Chris Hine
Appointed 1 March 2012 as Executive Director
and re-appointed 27 November 2012.
He was appointed Alternate Director to Mr. Chris Hine on 30 June 2014.



Mr. Filmer is a Licensed Aircraft Maintenance Engineer with over 36 years experience and has been involved in Regional Airline and Maintenance Repair Organisation management over the last 20 years, holding positions such as Engineering Manager and General Manager Engineering. He joined Rex in 2007 as Engineering Advisor in the Chairman's Office and as a member of the Engineering Management Committee was involved in the coordination of projects such as the management of Ground Support Equipment, review of engineering resources and the recruitment of staff. He became General Manager Engineering in June 2008 and then Chief Operating Officer in March 2012. He retired from the position of Chief Operating Officer with effect from 1 July 2014. As Chief Operating Officer Mr. Filmer was responsible for Regional Express operations including flight operations, continuing airworthiness, maintenance control, airport operations and the human factors group.

6. CHRIS HINE

Non-Executive Director
Alternate Director to Garry Filmer
Appointed 1 March 2011 as Executive Director
and re-appointed 23 November 2011.
Appointed 1 July 2014 as Non-Executive Director.

Mr. Hine has over 20 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 prior to his previous role as Chief Operating Officer was 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. He was the Chairman of the Australian Airline Pilot Academy Pty Ltd (AAPA).

7. RONALD BARTSCH

Independent Director

Appointed 23 November 2010
and re-appointed 23 November 2011.

Mr. Bartsch has over 35 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 CASA Sydney Airline Transport Field Office.

In addition, Mr. Bartsch is an experienced pilot and has extensive legal and regulatory experience. Mr. Bartsch has formal qualifications in law, education and science, and is the author of the definitive legal textbook on aviation law. Mr. Bartsch is an international aviation safety consultant and senior visiting fellow with the Department of Aviation at the University of New South Wales. He is an aviation specialist member of the Administrative Appeals Tribunal and author of several publications including Aviation Law in Australia and International Aviation Law.

8. LEE THIAN SOO

Non-Executive Director
Appointed 27 June 2003 and re-appointed 16 November 2006,
25 November 2009 and 27 November 2012.

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. He is also on the board of a biomedical company and a mobile/internet gaming company.

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

02 SENIOR MANAGEMENT EXECUTIVES

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

1. NEVILLE HOWELL

Chief Operating Officer (from 1 July 2014)

General Manager, Flight Operations and Chief Pilot (until 30 June 2014)

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

2. GARRY FILMER

Chief Operating Officer (until 30 June 2014)

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

3. WARRICK LODGE

General Manager, Network Strategy & Sales

Warrick manages a team responsible for scheduling, pricing, revenue management, sales and commercial analysis. His duties include the monitoring of network performance and analysis of both existing and new market opportunities. Warrick has more than 22 years of regional airline experience in the specialised areas of scheduling, pricing and revenue management and held the position of Manager Network Planning with Kendell Airlines, having joined that company in 1992. Warrick has been with Rex since its inception in 2002 and is also a member of the Rex Management Committee.

4. IRWIN TAN

General Manager, Corporate Services

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

5. MAYOORAN THANABALASINGHAM

General Manager, Information Technology and Communications

Mayooran completed his Associate Diploma of Electrical Engineering / Computer Engineering in 2001. He commenced with Rex in April 2004 and leads a team of Information Technology (IT) professionals responsible for ensuring day-to-day operations of the airline. With over 11 years experience and an extensive background in information technology, Mayooran has managed a range of IT projects and initiatives for Rex including the Internet Booking Engine, the Amend Booking Engine and Web Check-in. Mayooran is a member of the Rex Management Committee and a Director of the Australian Airline Pilot Academy (AAPA).

6. DALE HALL

General Manager, Engineering

Dale has over 32 years of aviation engineering experience. He began his career as an apprentice in the Royal Australian Air Force where he served for nine years. He then spent the next 17 years in the industry working in turbine engine and component overhaul facilities, on and offshore gas and petroleum helicopter industries and maintaining aero-medical charter aircraft. Dale joined Kendell Airlines in 1999 as a Licensed Aircraft Maintenance Engineer and held the position of a Technical Support Engineer with both Kendell and Rex. In late 2006 Dale was appointed as a Maintenance Controller for Rex and took up the position of Maintenance Control Manager in 2007. In March 2012, he was appointed GM Engineering and Chairman of the Australian Airline Pilot Academy (AAPA). As GM Engineering, he became Part 145 Accountable Manager for both Rex and Air Link Approved Maintenance Organisations (AMOs) in June 2013. He is a member of the Rex Management Committee.

7. PNG YEOW TAT

Deputy General Manager, Engineering

Tat has been in aviation engineering for more than 30 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. Tat joined Rex in mid 2007 as the Logistics Advisor and subsequently as the Engineering Advisor in the Chairman's Office. He is a member of the Rex Engineering Management Committee and a member of the Rex Management Committee. As Deputy GM Engineering, he became Part 145 Alternate Accountable Manager for both Rex and Air Link Approved Maintenance Organisations (AMOs) in June 2013.

8. PAUL FISHER

General Manager, Flight Operations and Chief Pilot (from 1 July 2014)

Paul has over 25 years of aviation experience and has been with the Company since its inception in August 2002. He has operated the Saab 340 as a First Officer and Captain for over 14 years for both Hazelton Airlines and Regional Express. Prior to his role as GM Flight Operations (GMFO) and Chief Pilot, Paul served in various roles within the Training and Checking department along with being the Adelaide Flight Operations Manager, Flight Standards Manager and the Training & Checking Manager / Duty Chief Pilot. He holds a number of 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 2014 served as a director with any other company listed on the ASX.

04 DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options of Rex as at the date of this report. No debentures or rights exist.

Directors	Fully paid ordinary shares direct interest	Fully paid ordinary shares indirect interest	Share options
Lim Kim Hai	18,480,630	5,755,513	-
The Hon. John Sharp	50,000	150,000	-
Lee Thian Soo	7,722,181	3,727,181	-
Ronald Bartsch	-	-	-
James Davis	200,866	-	-
Chris Hine	176,034	-	-
Garry Filmer	17,971	-	-
Neville Howell	17,423	-	-

05 DIRECTORS' MEETINGS

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

Directors	Board	Remuneration & Nomination Committee	Audit & Corporate Governance Committee	Safety & Risk Management Committee
No. of Meetings Held:	4	4	2	4
Attendance:				
Lim Kim Hai	4	-	-	-
The Hon. John Sharp	4	4	2	-
James Davis	4	4	-	4
Chris Hine	4	-	-	-
Lee Thian Soo	3	-	2	-
Ronald Bartsch	4	-	-	4
Garry Filmer	4	-	-	-

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 20-23.

07 SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

No options were granted or exercised in financial year 2014.

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.

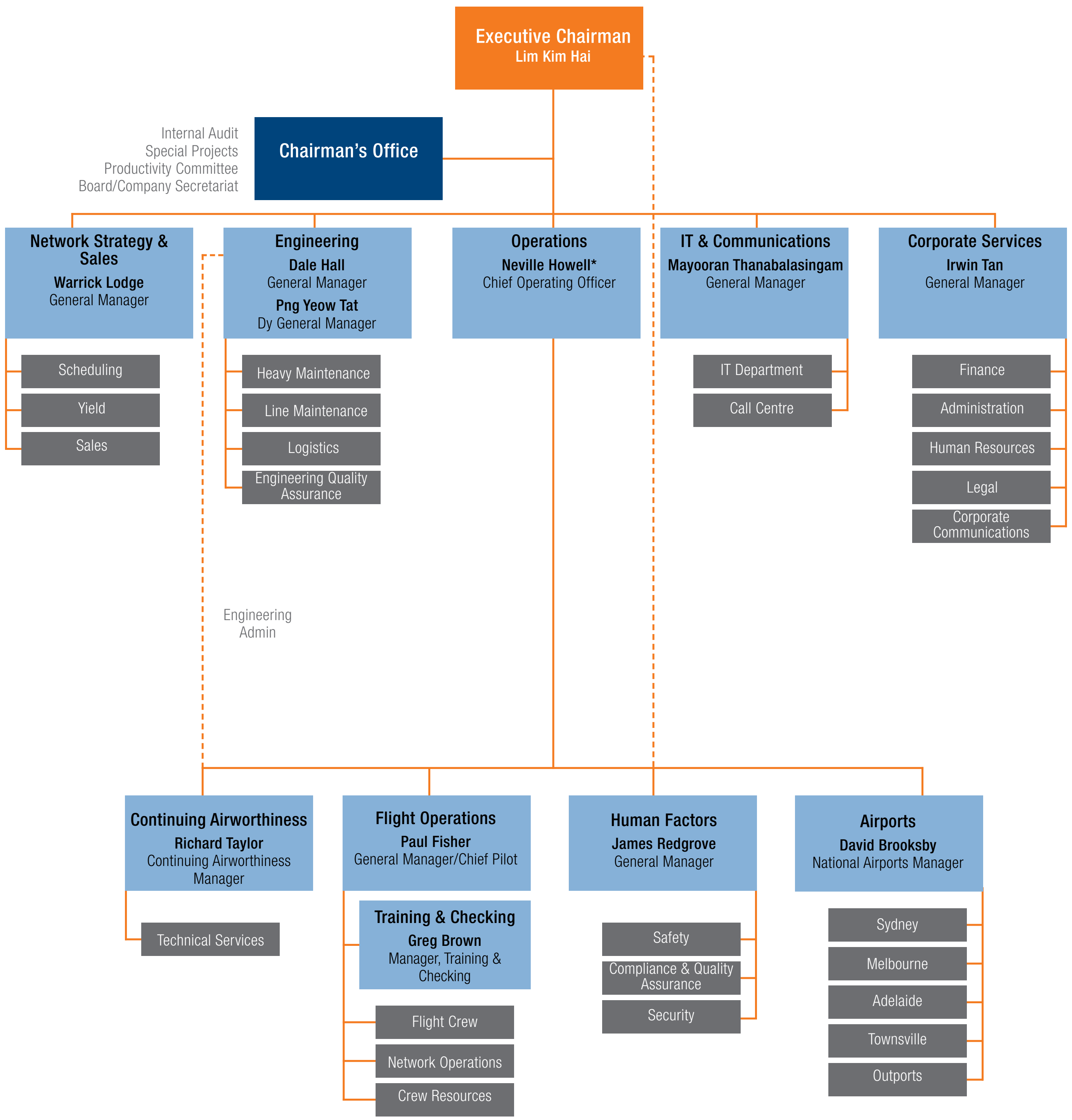
Mr. Benjamin Ng, having completed his Bachelor of Science followed by an MBA in the UK, started his career with the German multi-national chemical company, Henkel in Malaysia. In his eight years with Henkel/Cognis, he held various positions ranging from sales, marketing, business analysis and cost controlling.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

10 PRINCIPAL ACTIVITIES

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

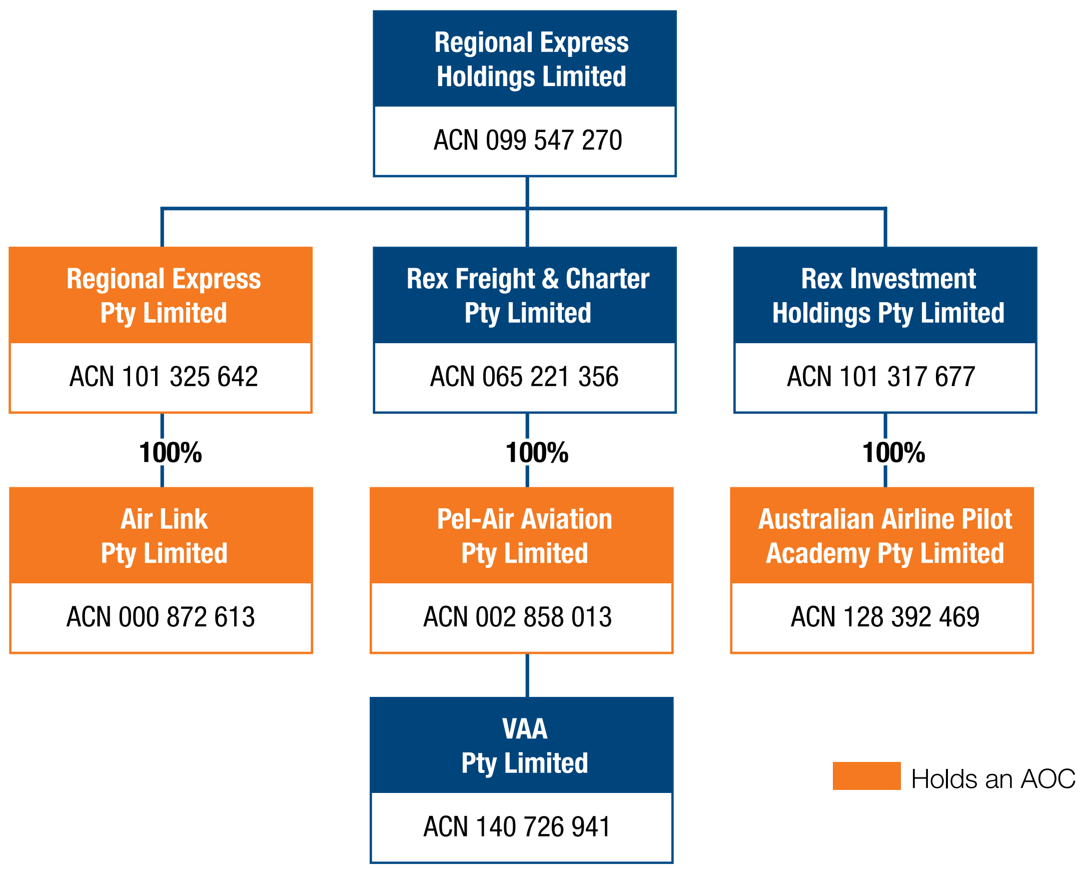
11 ORGANISATION & GROUP STRUCTURES

Regional Express Airline Organisation Structure



Appointed 1 July 2014 as Chief Operating Officer

REGIONAL EXPRESS GROUP HOLDING STRUCTURE



Regional Express Group Holding Structure

12 REVIEW OF OPERATIONS

SUMMARY

Across the Rex Regular Passenger Transport (RPT) network, Rex continued to work in collaboration with many regional airports and local councils. At the beginning of the financial year partnership agreements were renewed with the regional councils that own and operate the following regional airports: Bathurst, Ballina, Ceduna, Coober Pedy, Grafton, Griffith, Lismore, Mildura, Narrandera, Newcastle, Parkes, Taree and Wagga Wagga.

There were no partnership agreements during the financial year with the following regional airports: Albury, Broken Hill, Burnie, Dubbo, Kangaroo Island, King Island, Merimbula, Moruya, Mount Gambier, Orange, Port Lincoln and Whyalla.

In May 2014 Rex and Broken Hill City Council announced the intention to enter into a new five year partnership agreement that would provide Rex and Council with increased certainty in regard to airport costs and the provision of air services for the term of the agreement. Rex operates essential regional air services from Broken Hill to Adelaide, Dubbo, Melbourne, Mildura and Sydney.

The spare parts on the Pinnacle racks.

In July 2013 Rex announced the purchase of the entire Saab 340 spare parts holdings from Pinnacle Airlines in the USA. The Pinnacle spare parts package consisted of spares from Mesaba Airlines and Colgan Air who together in the past operated over 80 Saab 340 aircraft. The spares package consists of more than 500,000 line items including engines, propellers and undercarriages, as well as a vast array of tooling and ground support equipment. The acquisition of the spares has bolstered the already significant spares holding owned by Rex and will assure the support of the Rex Group fleet of Saab 340 aircraft over its useful life of at least another 15 years. Importantly, it will also lower Rex maintenance costs due to the spares being purchased at a steep discount from the retail value.

In April 2014 the Deputy Prime Minister of Australia opened Rex's Saab 340 Full Flight Simulator (FFS) at the company's Australian Airline Pilot Academy (AAPA) in Wagga Wagga, NSW. An agreement to acquire the simulator was entered into with FlightSafety International in May 2013. Rex constructed a purpose-built training facility at AAPA where the simulator is installed. Certification from the Civil Aviation Safety Authority (CASA) was obtained on 16 April 2014. The FFS at AAPA will augment Rex's pilot training by providing a seamless transition from Rex Cadet to Rex Saab 340 First Officer all at the one facility and will deliver a high standard of training and improved efficiencies.

The Rex Simulator Centre was opened on 28 April 2014 by Deputy Prime Minister, The Hon. Warren Truss MP.

The Rex pilot cadet program (AAPA) continues to supply budding First Officers to the Rex Group to meet demand. This financial year saw an additional 20 cadets transition to the rank of First Officer (FO) which now takes the number of cadets on-line in the Group to 136 as at 30 June 2014, which works out to 92% of the total FO strength.

The Pilot In Command Under Supervision (PICUSP) Programme has evolved and continues to achieve outstanding results and benefits for the Rex Group. The PICUS programme is the key transition phase for the cadet pilots without which they would never be able to attain upgrade to command as a Captain. The programme lasts about one year and typically the best cadets gain entry after 3 years of experience as a First Officer. Only cadet FOs with qualities corresponding to the heavy responsibilities of command - technical performance, discipline, sense of duty and responsibility and integrity - are allowed into the programme.

The PICUS programme gained considerable momentum in the period and has produced 15 Captains so far. We are projecting a further 12 Captains in financial year 2015.

The Pilot attrition rate for the financial year was well below historical averages with the lowest number of resignations in 12 years.

In January 2014 Pel-Air and Rex operated a number of air charter services for the New South Wales Rural Fire Services (NSW RFS) as a brutal heatwave moved across the south of Australia. Volunteers from the NSW RFS travelled in numbers to support the fire-fighting effort in South Australia.

Pel-Air and Rex operated a number of air charter services for the NSW RFS in January 2014.

During financial year 2014 the Commonwealth of Australia extended the contract for Pel-Air to continue supplying Fast Jet support to the Australian Defence Force for another year. In addition, Pel-Air commenced Saab 340 charter flights to a number of locations in Queensland, viz. Moranbah, Thangool, Roma and Miles.

Also during financial year 2014 Pel-Air successfully implemented a supplementary type certificate to operate its four B200C aircraft at increased maximum take-off weight (MTOW) for the fixed wing air ambulance contract. The increased MTOW is projected to improve efficiencies in aircraft utilisation and reduce the need for refuelling stops, thereby greatly enhancing safety.

In October 2013 Air Link commenced a regular closed charter service for the resource sector between Sydney and Cobar in central New South Wales in their 19 seat Beechcraft 1900D aircraft. The 12 month contract resulted in the relocation of the aircraft to Sydney. Air Link has also continued to provide high quality external maintenance from its maintenance facility in Dubbo in addition to maintaining the Air Link and AAPA fleet of aircraft.

In November 2013 AAPA ceased training under the Alpha Aviation contract.

ROUTE NETWORK DEVELOPMENTS

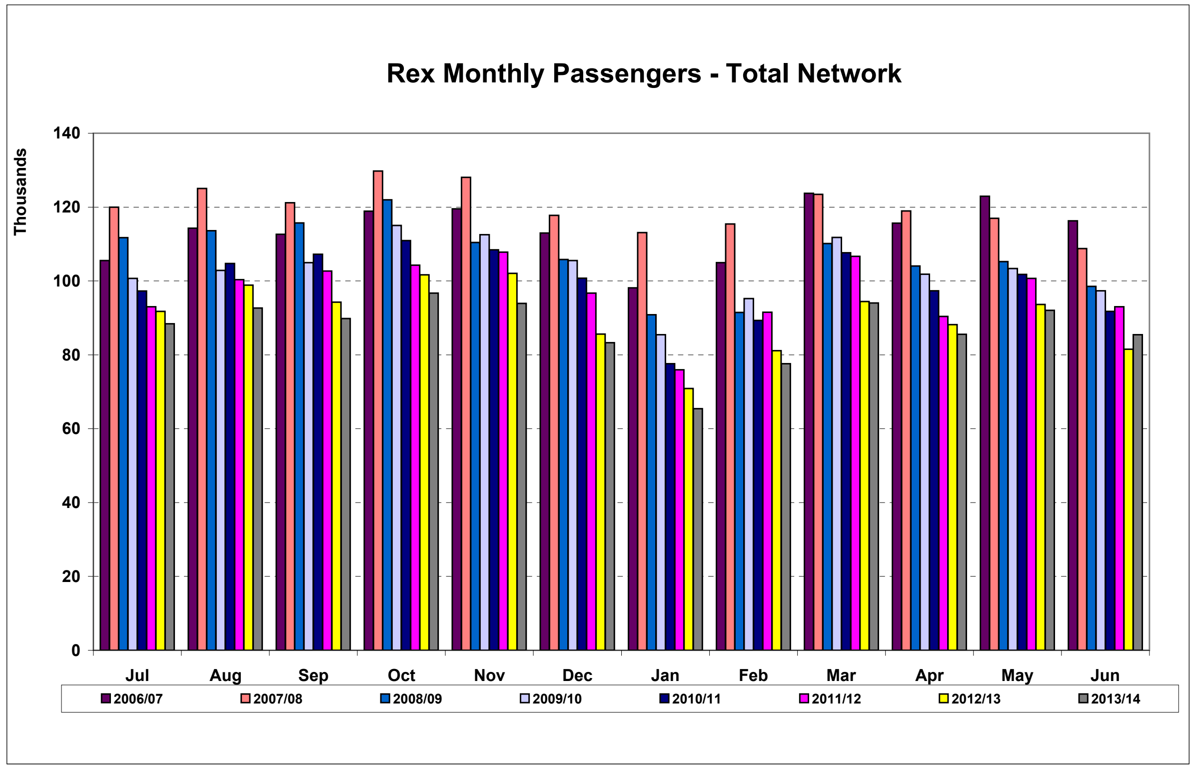
In December 2013 the Sydney to Orange and Sydney to Newcastle routes became sole-operated by Rex following the collapse of Brindabella Airlines in that month.

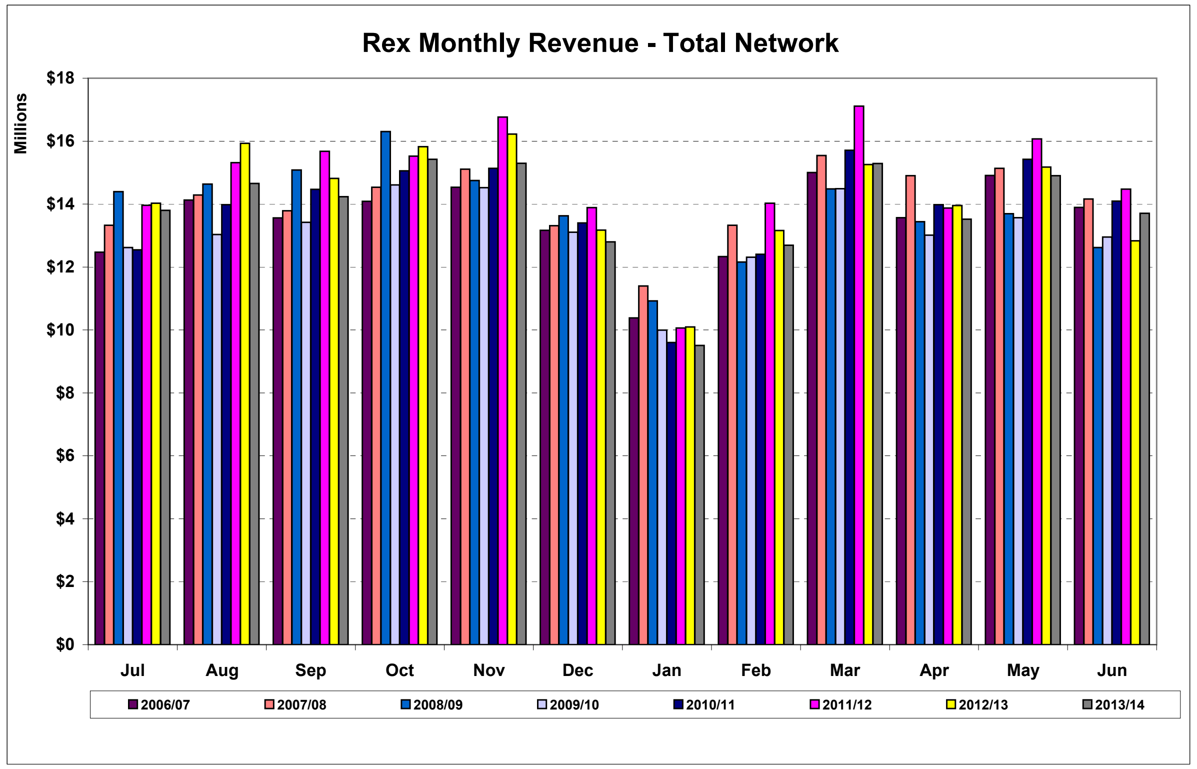
In January 2014 Rex called for expressions of interest (EOI) to invite regional cities in NSW that were interested in having a Regular Public Transport (RPT) air service to/from Sydney. This was the result of a regular network review and the recruitment of 11 pilots from the collapsed Brindabella Airlines that created a unique window of opportunity to offer RPT services to a NSW regional city within a 600 km radius of Sydney airport, not already serviced by Rex.

Rex received six submissions in response to the EOI, and in late February 2014 Rex announced that Armidale Dumaresq Council's submission was successful and that Rex would be commencing a new thrice-daily service between Armidale and Sydney from 28 March 2014. The decision to award the service to Armidale followed thorough examination of the Armidale market and the results of a comprehensive passenger survey that was conducted by Armidale Dumaresq Council in late 2013. Coinciding with the launch of the route, Rex entered into a new five year partnership agreement with Armidale Dumaresq Council.

On 28 March 2014 Rex launched services between Armidale and Sydney. Pictured at the launch are (from L-R): Member for Northern Tablelands Adam Marshall MP, Rex Deputy Chairman John Sharp, University of New England Vice Chancellor Professor Annabelle Duncan, Armidale Dumaresq Council Councillor Andrew Murat.

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





FLEET CHANGES

During the reporting period, Rex finalised the purchase of 25 latest generation Saab 340B*plus* aircraft. These aircraft were originally operating in the Rex fleet under a lease. The acquisition was partly funded by Rex's operating cash flows with the rest from bank financing. The purchase means that Rex now owns its entire fleet of Saab 340 aircraft which is 51 strong.

IMPROVING PRODUCTIVITY

The Group's Productivity Committee continued its efforts throughout the year with the launch of its tenth consecutive productivity drive. The programme ended the year with total realised savings of over $6.8M.

ENTERPRISE AGREEMENTS (EA)

Rex EA and the Airline Services Collective Agreement expired on 30 June 2014. Negotiations commenced early in the second half of the financial year with respective parties continuing to work through the log of claims at the time of this report.

OPERATIONAL AND SERVICE STANDARDS

In financial year 2014 Rex continued to deliver industry leading on-time performance and service reliability. As reported by the BITRE, Rex recorded 88.6% on-time departure performance which ranked Rex as the top performing Australian airline in financial year 2014.

In addition, Rex completed financial year 2014 with an exceptionally low cancellation rate of 0.5%, the lowest cancellation rate of all Australian airlines.

	On-Time Departure		Cancellation Rate (%)	
Airline	FY 2014	FY 2013	FY 2014	FY 2013
rex. Regional Express	1st	1st	0.5%	0.7%
QantasLink	5th	6th	2.5%	2.5%
Virgin Australia Regional	3rd	4th	1.3%	2.4%
Qantas	2nd	2nd	1.3%	1.6%
Virgin Australia	4th	3rd	1.5%	1.7%
Jetstar	6th	8th	1.9%	1.3%
Tigerair	7th	5th	2.2%	1.2%
Skywest*	N/A	7th	N/A	0.2%

**Skywest incorporated into Virgin Australia Regional effective 7 May 2013*

Financial year 2014 saw Rex yet again receive recognition by its customers and industry as a leading airline.

In December 2013 Rex was voted by the Australian Traveller Readers' Choice Awards Survey as the 'Best Australian Regional Airline' for 2013 ahead of QantasLink, Virgin Australia and Jetstar. This was the second time Rex had received the award, having also taken the top spot in 2011 and second place in 2012.

Rex Chief Operating Officer Garry Filmer receiving the 'Best Australian Regional Airline 2013' award from Australian Traveller Editor Georgia Rickard.

In April 2014 the Rex Group was recognised by the Transport and Logistics Industry Skills Council (TLISC) in its 2014 Awards for Excellence. Rex won the Innovation and Excellence in Workforce Development Award (Aviation) for its innovative approach in the development of a unique cadet pilot programme through its wholly owned subsidiary, the Australian Airline Pilot Academy (AAPA). One of the programme's former cadets, Rex First Officer Carl Riseley, recipient of the Rex Cadet Programme (batch 11) Chairman's Award, won the 2014 TLISC Trainee of the Year Award. The Rex Group also collected two Highly Commended Awards, one by Rex, in the Chairman's Award category and the other by AAPA instructor, Scott Gregory, in the Trainee of the Year category.

(L-R): AAPA Chief Pilot Jason Sedlock, Rex First Officer Carl Riseley, Rex Director Jim Davis, Rex Director Chris Hine, and AAPA Instructor Scott Gregory at the Transport and Logistics Industry Skills Council Awards for Excellence 2014. Photo courtesy of TLISC.

AVIATION WEEK
TOP PERFORMING Regional airline 2009-14

In June 2014 Rex was ranked as the world's top performing regional airline in Aviation Week and Space Technology magazine's Top Performing Airlines ranking. The rankings are based on four areas – financial health, earnings performance, capital efficiency and business model performance. Overall, Rex was ranked as the 5th best performing listed airline worldwide, ahead of many top airlines in the Asia Pacific regions as can be seen by this table:

Airline	Rank	Score
rex Regional Express	**5**	**67.4**
Singapore Airlines	15	57.0
Cathay Pacific	26	50.4
Qantas	50	38.9
tigerair	59	33.8
Virgin australia	65	30.2

COMMUNITY INVOLVEMENT

Throughout financial year 2014, Rex contributed close to $200,000 in sponsorships to worthy charitable and community projects across our network, giving back to regional communities to the measure of our capabilities.

During the year Rex supported 'drawcard' community festivals such as the Julia Creek Dirt n Dust Festival, the Parkes Elvis Festival, and the Moruya Jazz Festival. Rex also supported charitable organisations such as the Cancer Council and the Royal Institute for Deaf and Blind Children. Importantly, Rex believes it is vital to directly support the regional communities into which we operate by supporting local community fundraisers and providing fare assistance to residents who require medical attention in capital cities. This highlights the vital role regional aviation services provide for regional communities and we are privileged to be able to lend a hand in such situations.

The Kids in Community Awards recognise young people from the NSW Far North Coast region who use their positive efforts to address issues affecting themselves and others in the community. Pictured at the 2014 event are (L-R): Rex Sales Manager NSW & Qld Maurice Gahan with Against All Odds winner Jamahlee Evans and guest speaker Graham Hyman.
Photo courtesy of Kids in Community Incorporated.

13 CHANGES IN STATE OF AFFAIRS

In July 2014 the current federal government abolished the carbon tax that the previous government implemented on 1 July 2012. The effect of the carbon tax on fuel was $2.4M in financial year 2013 and $2.5M in financial year 2014. In addition to reducing the cost of fuel, the removal of the carbon tax will have a stimulatory effect on the economy, translating into more air travel.

TENDERS

In November 2013 Pel-Air submitted a bid to the Australian Maritime Safety Authority (AMSA) to provide dedicated airborne Search and Rescue (SAR) service in Australia and surrounding international waters. Pel-Air has since responded to requests for clarification and understands that AMSA is expecting to select the winning bid by the end of 2014.

In May 2014 Pel-Air participated in a tender submission to provide Fly In, Fly Out charter services in South Australia for OneSteel Corporation and is awaiting the outcome of the tender award.

In June 2014 Rex responded to a Queensland State Government Invitation to Offer (ITO) for 'Regional Queensland Air Services 2014'. Rex currently operates two Queensland regulated routes being the Northern 1 (Townsville – Winton – Longreach) and Northern 2 (Townsville – Hughenden - Richmond – Julia Creek – Mt Isa) routes. The current contract term ends 31 December 2014 with the new five year + two year option contact term commencing 1 January 2015. The ITO award date is expected around 3 October 2014.

14 SUBSEQUENT EVENTS

The Company continued repurchasing its own shares to replenish shares held under the Employee Share Gift Plan for distribution under financial year 2014 commitments. From 1 July 2014 to the date of this report the Company has purchased a total of 761,769 shares to take advantage of the prevailing low share price. These shares will be available for redistribution in later years or for cancellation as the Board deems fit.

In July 2014, Pel-Air secured a contract extension to continue providing air charter services to Iluka Resources in South Australia. The contract extension backs the Rex Group's ability to meet customer needs for fly in, fly out services.

Air Link commenced twice weekly return Sydney to Dubbo RPT services using the B1900D aircraft on 18 August 2014.

15 FUTURE DEVELOPMENTS

The entire Rex Group, with the exception of AAPA, will transition to the new Fatigue Risk Management System (FRMS) by the CASA-mandated deadline of 30 April 2016. Although Pel-Air and Air Link are already on the FRMS, these two subsidiaries will adopt the unified Group FRMS at the cut over.

16 ENVIRONMENTAL REGULATIONS

During financial year 2014 Rex continued to be an active participant in programs aimed at maximising energy efficiency and reducing Greenhouse gas emissions in accordance with the Energy Efficient Opportunities Act 2006 (EEO) and the National Greenhouse Energy Reporting Act 2007 (NGER).

Since its registration with the EEO program in November 2007, six public reports on the initiatives undertaken by Rex have been made available on the Rex website at www.rex.com.au

The government repealed the Energy Efficiency Opportunities Regulations 2006 on 13 June 2014. Consequently this removes all of the reporting obligations under the EEO Program.

Since its registration with the NGER program in January 2009, Rex has submitted five NGER reports and the fifth report is due in October 2014.

17 DIVIDENDS

In respect of the financial year ended 30 June 2013, the Directors have recommended no dividends to be paid out in view of the planned substantial investments in financial year 2014 namely:

- purchase of Saab 340B*plus* aircraft coming off lease;
- purchase of the entire spares holdings of Pinnacle airlines comprising over 500,000 line items;
- purchase of a full flight simulator;
- construction of a purpose built building to house the simulator;
- avionics upgrade programme for the replacement of four display consoles.

In respect of the financial year ended 30 June 2014, the Board also recommended no dividends to be paid out in the light of the almost 60% drop in profits and the still uncertain economic environment. However, the Board noted that there were no major capital investments on the horizon and would be favourable to a significantly higher dividend payout ratio once the Group is firmly on the path to recovery.

No interim dividend was paid during the financial year.

18 INDEMNIFICATION OF OFFICERS AND AUDITORS

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

19 REMUNERATION REPORT

REMUNERATION AND NOMINATION COMMITTEE

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

REMUNERATION POLICY

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

REMUNERATION STRUCTURE

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

Rex has set in place a remuneration model for all 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 eight 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 financial year 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. The Board continues to offer to all non-Enterprise Agreement (EA) employees who are not the subject of an adverse recommendation by the Remuneration and Nomination Committee.

- **Share Gift Plan**

  Rex established the share gift plan (effective from financial year 2006) for its executive directors and eligible employees. In financial year 2014, two groups, namely the pilots and the engineers received shares (or a cash option for pilots) as part of the EA. The Airline Services Collective Agreement staff and flight attendants opted not to receive the share gift as part of their remuneration package. The plan is offered to all non-EA employees who are not the subject of an adverse recommendation by the Remuneration and Nomination Committee. This plan is not based on any performance measures (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 in exchange for a percentage of their base salaries. Therefore there are no vesting conditions attached to the share gift.

  During the financial year, the Group issued 64,945 fully paid ordinary shares to give out to employees as part of the employee share gift plan for financial year 2013 as it held insufficient shares under the scheme. During the financial year, the Group bought back 550,000 fully paid ordinary shares for the share gift scheme.

DIRECTOR AND SENIOR MANAGEMENT DETAILS

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

Lim Kim Hai (Chairman)
The Hon. John Sharp (Deputy Chairman)
James Davis
Chris Hine
Lee Thian Soo
Ronald Bartsch
Garry Filmer
Neville Howell

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 financial year and since the end of the financial year:

Garry Filmer (Chief Operating Officer until 30 June 2014)
Warrick Lodge (General Manager, Network Strategy & Sales)
Irwin Tan (General Manager, Corporate Services / Company Secretary)
Mayooran Thanabalasingham (General Manager, Information Technology and Communications)
Dale Hall (General Manager, Engineering)
Neville Howell (General Manager, Flight Operations & Chief Pilot until 30 June 2014 and then Chief Operating Officer from 1 July 2014)
Png Yeow Tat (Deputy General Manager, Engineering)
Paul Fisher (General Manager, Flight Operations & Chief Pilot from 1 July 2014)

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-based payments			
		Cash salary & fees	Cash profit sharing & other bonuses	Non-monetary	Pension & super-annuation	Long service leave	Options & rights	Share gift provision	Total	% Consisting of options
Directors/Executives	**FY**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
EXECUTIVE DIRECTORS										
LIM KIM HAI (1)	2014	-	-	-	-	-	-	-	-	0%
Executive Chairman	2013	-	-	-	-	-	-	-	-	0%
CHRIS HINE (2)	2014	88,325	83	-	8,178	173	-	3,561	100,320	0%
Executive Director	2013	31,391	2,542	-	3,054	186	-	3,471	40,644	0%
GARRY FILMER (3)	2014	168,606	26,386	-	15,837	4,219	-	3,000	218,048	0%
Chief Operating Officer	2013	164,439	62,771	-	14,919	-	-	2,685	244,814	0%
NON-EXECUTIVE DIRECTORS										
JOHN SHARP	2014	90,000	-	-	8,325	-	-	-	98,325	0%
Deputy Chairman	2013	90,000	-	-	8,100	-	-	-	98,100	0%
LEE THIAN SOO	2014	30,000	-	-	-	-	-	-	30,000	0%
Non-Executive Director	2013	29,039	-	-	-	-	-	-	29,039	0%
RONALD BARTSCH	2014	35,000	-	-	3,237	-	-	-	38,237	0%
Non-Executive Director	2013	35,000	-	-	3,150	-	-	-	38,150	0%
JAMES DAVIS	2014	30,000	-	-	2,775	-	-	-	32,775	0%
Non-Executive Director	2013	29,038	-	-	2,614	-	-	-	31,652	0%
SENIOR MANAGEMENT EXECUTIVES										
WARRICK LODGE	2014	157,373	26,386	-	15,078	2,677	-	3,074	204,588	0%
GM, Network Strategy & Sales	2013	153,530	52,771	-	14,211	2,559	-	2,995	226,066	0%
IRWIN TAN	2014	172,373	26,386	-	16,092	3,173	-	3,074	221,098	0%
GM, Corporate Services	2013	166,606	52,771	-	15,025	2,646	-	2,995	240,043	0%
MAYOORAN THANABALASINGHAM	2014	162,373	26,386	-	15,416	3,159	-	3,074	210,408	0%
GM, ITC	2013	157,568	52,771	-	14,454	2,563	-	2,995	230,351	0%
DALE HALL	2014	161,094	26,386	-	15,329	2,951	-	2,755	208,515	0%
GM, Engineering	2013	155,725	52,771	-	14,309	2,295	-	2,685	227,785	0%
NEVILLE HOWELL (4)	2014	171,709	31,386	-	16,046	3,277	-	3,353	225,771	0%
GM, Flight Operations & Chief Pilot	2013	167,515	57,771	-	15,131	2,777	-	3,630	246,824	0%
PNG YEOW TAT	2014	138,487	26,386	-	13,802	2,611	-	2,705	183,991	0%
Deputy GM, Engineering	2013	135,104	32,543	-	13,000	2,251	-	2,636	185,534	0%
TOTAL	**2014**	**1,405,340**	**189,785**	**-**	**130,115**	**22,240**	**-**	**24,596**	**1,772,076**	0%
	2013	**1,314,955**	**366,711**	**-**	**117,967**	**15,277**	**-**	**24,092**	**1,839,002**	0%

(1) Lim Kim Hai undertook to forfeit his Director's fee in 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.

(2) Chris Hine became a Non-Executive Director on 1 July 2014.

(3) Garry Filmer stepped down from his position as Chief Operating Officer on 1July 2014. He remains as an Alternate Director to Chris Hine.

(4) Neville Howell was appointed Chief Operating Officer & Director on 1 July 2014.

VALUE OF OPTIONS ISSUED TO DIRECTORS AND EXECUTIVES

No options lapsed, were granted or were exercised during the financial year 2014.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

In addition to the profit share and share gift schemes that apply to all non-EBA staff, a Key Manager bonus, fixed by the Remunerations and Nominations Committee, was given to selected members of executive management based on an assessment of the recipient's performance during the year. The bonus amount was reduced from previous years given the reduction in the company's profits.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2014:

	30 June 2014 $'000	30 June 2013 $'000	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000
Revenue	253,336	258,311	273,145	238,488	228,843
Net profit before tax	10,662	19,177	35,077	24,095	26,254
Net profit after tax	7,725	14,018	25,497	17,593	24,627

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	$1.125	$1.07	$0.83	$1.005	$0.80
Share price at end of year	$0.75	$1.125	$1.07	$0.83	$1.005
Interim dividend	-	-	-	-	-
Final dividend[1,2]	-	-	9.0cps	7.1cps	6.6 cps
Basic earnings per share	7.0 cps	12.8 cps	23.1cps	15.8cps	22.2 cps
Diluted earnings per share	7.0 cps	12.8 cps	23.1cps	15.8cps	22.2 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.

20 PROCEEDINGS ON BEHALF OF THE COMPANY

Regional Express Holdings Limited (Rex) commenced legal proceedings against Dubbo City Council (DCC) in the fourth quarter of financial year 2013 in the Land and Environment Court New South Wales. Rex opposed two decisions made by DCC, namely that on 22 October 2012 DCC decided to conduct security screening services at Dubbo airport on a full cost recovery basis to be charged to all regular passenger transport operators using the airport, that is, Rex and QantasLink; and that on 23 February 2013 DCC made the decision to adopt a fee to be charged to those airlines for the security screening services. By law, aircraft which are under 20,000kg MTOW operating RPT services are not required to be screened. It is Rex's view that DCC failed to comply with the requirements of due process and procedural fairness in reaching each decision, and in respect of the second decision, failed to comply with the statutory process required pursuant to ss 608, 610D and 610F of the Local Government Act 1993. The hearing was held on the 24-25 February 2014. Judgment was passed on 26 June 2014 and was in favour of DCC. Rex is appealing against the judgement.

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 30 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

22 ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors

Neville Howell

Chief Operating Officer

Sydney, 28 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

28 August 2014

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 2014, 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

BJ Pollock
Partner
Chartered Accountant

This page has been intentionally left blank

financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Passenger revenue		202,316	207,884
Freight revenue		763	960
Charter revenue		36,072	37,869
Other passenger services and amenities		2,530	2,550
Other revenue	5	11,655	9,048
Total revenue		**253,336**	**258,311**
Finance income	5	**1,115**	**1,987**
Other gains and losses	6	**339**	**1,902**
Flight and port operation costs (excluding fuel)		(45,914)	(48,947)
Fuel costs		(40,338)	(38,603)
Salaries and employee-related costs	5	(95,818)	(94,164)
Selling and marketing costs		(5,388)	(5,412)
Engineering and maintenance costs		(33,038)	(31,887)
Office and general administration costs	5	(6,983)	(6,530)
Finance costs	5	(1,703)	(1,531)
Depreciation and amortisation	5	(14,946)	(15,949)
Total costs and expenses		**(244,128)**	**(243,023)**
Profit before income tax		**10,662**	**19,177**
Income tax expense	7	(2,937)	(5,159)
Profit after tax		**7,725**	**14,018**
Total comprehensive income		**7,725**	**14,018**
Profit attributable to:			
Members of the parent		7,725	14,018
		7,725	**14,018**
Earnings per share (cents per share)			
Basic	20	7.0	12.8
Diluted	20	7.0	12.8

Notes to the financial statements are included on pages 32 to 61.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and bank balances	26	21,967	44,155
Trade and other receivables	8	17,286	18,652
Inventories	9	19,372	13,218
Total current assets		**58,625**	**76,025**
Non-current assets			
Other financial assets	10	-	11
Other receivables	8	7,937	7,002
Available for sale investments carried at fair value – shares		10	10
Property, plant and equipment	11		
Aircraft		134,079	93,409
Other property, plant and equipment		80,461	75,261
Goodwill and intangible assets	12	8,113	8,311
Total non-current assets		**230,600**	**184,004**
Total assets		**289,225**	**260,029**
Current liabilities			
Trade and other payables	13	26,029	22,691
Unearned revenue	16	18,753	19,446
Borrowings	14	8,648	2,235
Current tax payable	7	237	990
Provisions	15	6,934	7,483
Other liabilities	16	201	11
Total current liabilities		**60,802**	**52,856**
Non-current liabilities			
Borrowings	14	35,429	22,864
Provisions	15	2,615	2,579
Deferred tax liabilities	7	1,278	789
Total non-current liabilities		**39,322**	**26,232**
Total liabilities		**100,124**	**79,088**
Net assets		**189,101**	**180,941**
Equity			
Issued capital	17	72,024	71,959
Reserved shares	18	(1,182)	(1,439)
Retained earnings	19	115,880	108,155
Share-based payments reserve	18	789	676
Other reserves	18	1,590	1,590
Total equity		**189,101**	**180,941**

Notes to the financial statements are included on pages 32 to 61.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Receipts from customers		275,422	279,690
Payments to suppliers, employees and others		(254,593)	(246,979)
Interest paid		(2,483)	(2,390)
Income tax paid		(3,201)	(10,542)
Net cash flows from operating activities	26 (B)	**15,145**	**19,779**
Interest received		1,115	1,987
Proceeds from disposal of property, plant and equipment		-	480
Payments for property, plant and equipment - aircraft and other		(34,093)	(8,635)
Payments for property, plant and equipment - software		(147)	(549)
Net cash flows used in investing activities		**(33,125)**	**(6,717)**
Dividends paid		-	(9,823)
Shares purchased as reserve shares		(477)	(316)
Salary sacrifice - payment for shares		3	3
Repayment of borrowings – non-related parties		(3,734)	(2,043)
Net cash flows used in financing activities		**(4,208)**	**(12,179)**
Net increase/(decrease) in cash held		**(22,188)**	**883**
Cash at the beginning of the financial year		**44,155**	**43,272**
Cash at the end of the financial year	26 (A)	**21,967**	**44,155**

Notes to the financial statements are included on pages 32 to 61.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the Company					
	Issued capital $'000	Reserved shares $'000	Retained earnings $'000	Share-based payments reserve $'000	General reserve $'000	Total equity $'000
At 1 July 2012	**71,959**	**(1,816)**	**103,960**	**1,006**	**1,590**	**176,699**
Profit for the year	-	-	14,018	-	-	14,018
Other comprehensive income (net of tax)	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**14,018**	**-**	**-**	**14,018**
Dividends paid	-	-	(9,823)	-	-	(9,823)
Shares purchased as reserve shares	-	(316)	-	-	-	(316)
Share gift issued – gift	-	690	-	(690)	-	-
Share gift issued - salary sacrifice	-	3	-	-	-	3
Share gift - transfer to provision on amendment of EBA	-	-	-	(549)	-	(549)
Share gift plan provision	-	-	-	909	-	909
At 30 June 2013	**71,959**	**(1,439)**	**108,155**	**676**	**1,590**	**180,941**
At 1 July 2013	**71,959**	**(1,439)**	**108,155**	**676**	**1,590**	**180,941**
Profit for the year	-	-	7,725	-	-	7,725
Other comprehensive income (net of tax)	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**7,725**	**-**	**-**	**7,725**
Shares issued	65	-	-	-	-	65
Shares purchased as reserve shares	-	(477)	-	-	-	(477)
Share gift issued – gift	-	731	-	(632)	-	99
Share gift issued - salary sacrifice	-	3	-	-	-	3
Share gift plan provision	-	-	-	745	-	745
At 30 June 2014	**72,024**	**(1,182)**	**115,880**	**789**	**1,590**	**189,101**

Notes to the financial statements are included on pages 32 to 61.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 Company and its subsidiaries are described in Note 32.

02 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations has not yet been determined, but is not expected to be material.

STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' (amendment issued in 2010 and 2013)	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards –Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 ' Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 Financial Instruments (2014) and all related amendments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements
In the current year, the Company has applied the following new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual improvements 2009-2011 Cycle'
- AASB 2012-9 Amendment to ASSB 2048 arising from the Withdrawal of Australian Interpretation 1039'
- AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, materiality and Financial Instruments' (Part A Conceptual Framework)
- AASB 10 ' Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

With the exception of AASB 13 (refer below) adoption of the above standards had no material impact on the financial statements.

Impact of the application of AASB 13
The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (for example, net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by AASB 13 for the 2013 comparative period. The application of AASB 13 has not had any material impact on the amounts recognised in the financial statements but has resulted in additional disclosures shown in Note 27.

03 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 28 August 2014.

(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 Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the financial statements are rounded off to the nearest thousand dollars, 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 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(D) REVENUE

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

RENDERING OF SERVICES

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

DIVIDEND AND INTEREST INCOME

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

(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.

(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 27).

(H) DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group enters into forward contracts where it agrees to buy specified amounts of USD in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in USD, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually no longer than 12 months. Further details of these USD contracts are disclosed in Note 27 to the financial statements.

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

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

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

HEDGE ACCOUNTING

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

At the inception of the hedge relationship the entity documents the relationship between the USD contract and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the USD contract that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 27 contains details of the fair values of the USD contracts used for hedging purposes. Movements in the hedging reserve in equity if any, are detailed in Note 18.

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

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

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

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

(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.

Payments to defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(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.

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

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, 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 PROFIT OR LOSS

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

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

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

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

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

Fair value is determined in the manner described in Note 27.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 27. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

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

LOANS AND RECEIVABLES

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

IMPAIRMENT OF FINANCIAL ASSETS

When an available for sale asset is considered to be impaired, cumulative gains/losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

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

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

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own instruments.

FINANCIAL LIABILITIES

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 27.

OTHER FINANCIAL LIABILITIES

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

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

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

A summary of the policies applied to the Group's finite intangible assets is 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. Costs of inventories are 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.

(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 3E. 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 30 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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows (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 18.

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.

(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.

04 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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.

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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

EMPLOYEE ENTITLEMENTS

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance date was $7,190 thousand (2012: $7,190 thousand) with no impairment loss recognised during the current financial year.

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

As described in Note 27, 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.

05 REVENUES AND EXPENSES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 $'000	2013 $'000
Finance income		
Interest	1,115	1,987
	1,115	**1,987**
Other revenue		
Training income	3,300	3,297
Engineering services	168	327
Insurance claim	82	366
Grant - Department of Transport	3,017	2,900
Other income	5,088	2,158
	11,655	**9,048**
Salaries and employee-related costs		
Wages and salaries (excluding bonus – profit share scheme)	(87,021)	(85,017)
Bonus – profit share scheme	(642)	(1,458)
Workers' compensation costs	(1,023)	(923)
Superannuation costs - defined contribution plan	(6,387)	(5,857)
Expense of share-based payments	(745)	(909)
	(95,818)	**(94,164)**
Finance costs		
Interest on bank borrowings and finance leases	(2,483)	(2,390)
less: amounts amortised over future contract periods	780	859
Interest expense	**(1,703)**	**(1,531)**
The weighted average capitalisation rate on borrowings is 9.1% per annum, and 5.1% per annum for finance leases		
Depreciation and amortisation		
Depreciation and amortisation	(14,659)	(15,790)
Amortisation of development costs and software	(287)	(159)
	(14,946)	**(15,949)**
Impairment		
Impairment expense	(58)	-
	(58)	**-**
Lease payments included in consolidated statement of profit or loss		
Included in flight and port operation costs		
Minimum lease payments – operating lease	(4,410)	(7,337)
	(4,410)	**(7,337)**
Office and general administrative costs		
Bad debts recovered	13	-
	13	**-**

06 PROFIT FOR THE YEAR

GAINS AND LOSSES

Profit for the year has been arrived at after crediting the following gains:

	2014 $'000	2013 $'000
Net gain/(loss) on disposal of property, plant and equipment	(19)	156
Net foreign currency gain	358	1,746
	339	**1,902**
Loss on disposal of other financial assets	(11)	-
	(11)	**-**

07 INCOME TAX

INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2014 $'000	2013 $'000
Income tax expense comprises:		
Current tax expense	2,448	5,267
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	489	(108)
Total income tax expense	**2,937**	**5,159**
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	10,662	19,177
Income tax expense calculated at 30%	3,199	5,753
Tax on non deductible expense/(non assessable income)	14	(15)
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	(276)	(579)
	2,937	**5,159**

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.

	2014 $'000	2013 $'000
Current tax assets and liabilities		
Current tax payable		
Income tax attributable:		
Parent entity	237	990
	237	**990**
Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	5,157	5,443
	5,157	**5,443**
Deferred tax liabilities comprise:		
Temporary differences	(6,435)	(6,232)
	(6,435)	**(6,232)**
Net deferred tax liabilities	**(1,278)**	**(789)**

Taxable and deductible temporary differences arise from the following:

30 June 2014	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions / disposals $'000	Exchange differences $'000	Changes in tax rate $'000	Closing balance $'000
Gross deferred tax liabilities							
Inventories	(3,969)	(370)	-	-	-	-	(4,339)
Other items	(2,263)	167	-	-	-	-	(2,096)
	(6,232)	**(203)**	**-**	**-**	**-**	**-**	**(6,435)**
Gross deferred tax assets							
Employee-related provisions	2,631	(149)	-	-	-	-	2,482
Provision for doubtful debts	3	6	-	-	-	-	9
Other items	2,809	(143)	-	-	-	-	2,666
	5,443	**(286)**	**-**	**-**	**-**	**-**	**5,157**
Net deferred tax	**(789)**	**(489)**	**-**	**-**	**-**	**-**	**(1,278)**

30 June 2013							
Gross deferred tax liabilities							
Inventories	(3,588)	(381)	-	-	-	-	(3,969)
Other items	(2,534)	271	-	-	-	-	(2,263)
	(6,122)	**(110)**	**-**	**-**	**-**	**-**	**(6,232)**
Gross deferred tax assets							
Employee-related provisions	2,799	(168)	-	-	-	-	2,631
Provision for doubtful debts	3	-	-	-	-	-	3
Other items	2,423	386	-	-	-	-	2,809
	5,225	**218**	**-**	**-**	**-**	**-**	**5,443**
Net deferred tax	**(897)**	**108**	**-**	**-**	**-**	**-**	**(789)**

Deferred tax assets of $449 thousand (2013: $717 thousand) from tax losses have not been brought to accounts as assets.

08 TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Trade receivables	9,515	8,472
Provision for doubtful debts	(31)	(8)
	9,484	**8,464**
Sundry debtors and other debtors	1,521	2,366
Prepayments	6,125	3,994
Deposits and other assets	156	3,828
	17,286	**18,652**

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

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

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

	2014 $'000	2013 $'000
Ageing of past due but not impaired		
60 - 90 days	13	84
90 - 120 days or more	388	310
Total	**401**	**394**
Average age (days)	312	268
Movement in the provision for doubtful debts		
Balance at the beginning of the year	(8)	(8)
Impairment losses on receivables	(23)	-
Balance at the end of the year	**(31)**	**(8)**
Ageing of impaired trade receivables		
60 - 90 days	-	-
90 - 120 days	-	-
120+ days	(31)	(8)
Total	**(31)**	**(8)**
Non-current		
Trade receivables – at amortised cost	7,937	7,002
	7,937	**7,002**

09 INVENTORIES

	2014 $'000	2013 $'000
Current		
Consumable spares at cost	19,372	13,218

10 OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Non-current		
Investments carried at fair value	-	11

11 PROPERTY, PLANT AND EQUIPMENT

	2014 $'000	2013 $'000
Aircraft		
At cost	193,917	144,427
Accumulated depreciation and impairment	(59,838)	(51,018)
Net carrying value	**134,079**	**93,409**
Other property, plant and equipment		
Rotable assets		
At cost	56,348	50,796
Accumulated depreciation and impairment	(16,149)	(13,231)
Net carrying value	**40,199**	**37,565**
Leasehold improvements		
At cost	1,274	1,368
Accumulated depreciation and impairment	(1,063)	(1,060)
Net carrying value	**211**	**308**
Motor vehicles		
At cost	2,350	2,353
Accumulated depreciation and impairment	(1,040)	(857)
Net carrying value	**1,310**	**1,496**
Furniture and fittings		
At cost	1,365	1,335
Accumulated depreciation and impairment	(1,054)	(928)
Net carrying value	**311**	**407**
Computer equipment		
At cost	2,164	2,024
Accumulated depreciation and impairment	(1,799)	(1,560)
Net carrying value	**365**	**464**
Plant and equipment		
At cost	12,804	8,977
Accumulated depreciation and impairment	(6,830)	(6,009)
Net carrying value	**5,974**	**2,968**
Land and buildings		
At cost	31,212	29,822
Accumulated depreciation and impairment	(3,902)	(3,153)
Net carrying value	**27,310**	**26,669**
Engines		
At cost	8,527	8,527
Accumulated depreciation and impairment	(3,746)	(3,143)
Net carrying value	**4,781**	**5,384**
Other property, plant and equipment		
Total other property, plant and equipment		
At cost	116,044	105,202
Accumulated depreciation and impairment	(35,583)	(29,941)
Net carrying value	**80,461**	**75,261**
Total property, plant and equipment		
At cost	**309,961**	**249,629**
Accumulated depreciation and impairment	**(95,421)**	**(80,959)**
Net carrying value	**214,540**	**168,670**

RECONCILIATIONS 2014	Opening net carrying value $'000	Additions $'000	Disposals $'000	Reclassification $'000	Depreciation charge for the year $'000	Closing net carrying value $'000
Aircraft	93,409	49,490	-	-	(8,820)	134,079
Rotable assets	37,565	5,578	(19)	-	(2,925)	40,199
Leasehold improvements	308	53	-	-	(150)	211
Motor vehicles	1,496	-	-	-	(186)	1,310
Furniture and fittings	407	38	-	-	(134)	311
Computer equipment	464	139	-	-	(238)	365
Plant and equipment	2,968	3,860	-	-	(854)	5,974
Land and buildings	26,669	1,390	-	-	(749)	27,310
Engines	5,384	-	-	-	(603)	4,781
Total property, plant and equipment	**168,670**	**60,548**	**(19)**	**-**	**(14,659)**	**214,540**

2013						
Aircraft	100,739	2,865	(38)	-	(10,157)	93,409
Rotable assets	36,479	4,104	(281)	-	(2,737)	37,565
Leasehold improvements	361	103	(6)	-	(150)	308
Motor vehicles	1,714	-	(2)	(26)	(190)	1,496
Furniture and fittings	533	13	-	-	(139)	407
Computer equipment	1,119	139	-	(522)	(272)	464
Plant and equipment	3,438	318	(2)	26	(812)	2,968
Land and buildings	26,306	1,093	-	-	(730)	26,669
Engines	5,987	-	-	-	(603)	5,384
Total property, plant and equipment	**176,676**	**8,635**	**(329)**	**(522)**	**(15,790)**	**168,670**

No impairment loss has been recognised over items of property plant and equipment for the year ended 30 June 2014 (2013: nil)

REGIONAL EXPRESS HOLDINGS LIMITED (REX)

The recoverable amount of the Rex cash generating unit has been determined based on a 1.5% revenue growth rising to 2.5% in year 3 with 1.5% cost escalation (2.5% for fuel cost escalation) and appropriate capital investment, and a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% p.a. Cash flows beyond that five year period are extrapolated using a steady 2.5% p.a.

PEL-AIR AVIATION PTY LIMITED (PEL-AIR)

Pel-Air was purchased by the Group in the financial periods 2006 (50%) and 2007 (50%). The recoverable amount of the Pel-Air cash generating unit has been determined based on a 2.5% revenue growth with 1.5% cost escalation (2.5% for fuel cost escalation) and appropriate capital investment, and a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11% p.a. Cash flows beyond that five year period are extrapolated using a steady 2.5% p.a. growth rate.

AIR LINK PTY LIMITED (AIR LINK)

Air Link was acquired by the Group in financial year 2006. The recoverable amount of the Air Link cash generating unit is determined based on aircraft valuation (fair value less cost to sell). Cost to sell has been estimated at 10% of fair value.

AUSTRALIA AIRLINE PILOT ACADEMY PTY LIMITED (AAPA)

The recoverable amount of the AAPA cash generating unit has been determined based on a 1.5% revenue growth with 1.5% cost escalation (2.5% for fuel cost escalation) and appropriate capital investment, and a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period, and a discount rate of 12% p.a. Cash flows beyond that five year period are extrapolated using a steady 2.5% p.a.

SENSITIVITY ANALYSIS

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to the following headroom in the year ended 30 June 2014.

		Rex		Pel-Air		AAPA	
	Increase/ Decrease by	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Post tax discount rate %	0.5%	(3,562)	7,448	2,573	9,673	909	1,664
Revenue %	0.5%	41,930	(37,722)	13,198	(1,195)	-	-
Student enrolment %	10.0%	-	-	-	-	4,606	(403)
Operating cost %	0.5%	(26,887)	29,596	867	10,867	406	2,109
Capital expenditure %	5.0%	(1,174)	4,495	5,081	6,758	1,175	1,359

12 GOODWILL AND INTANGIBLE ASSETS

	Goodwill $'000	Software and Development Cost $'000
At 30 June 2014		
Cost	7,132	2,158
Accumulated amortisation	-	(1,177)
Net carrying amount	**7,132**	**981**
Total goodwill and intangible assets		**8,113**
Reconciliation		
At 1 July 2013, net of accumulated amortisation	7,190	1,121
Additions	-	147
Impairment	(58)	-
Amortisation at 30 June 2014	-	(287)
At 30 June 2014, net of accumulated amortisation	**7,132**	**981**
Total goodwill and intangible assets		**8,113**
At 30 June 2013		
Cost	7,190	2,011
Accumulated amortisation	-	(890)
Net carrying amount	**7,190**	**1,121**
Total goodwill and intangible assets		**8,311**
Reconciliation		
At 1 July 2012, net of accumulated amortisation	7,190	209
Additions	-	549
Reclassification	-	522
Amortisation at 30 June 2013	-	(159)
At 30 June 2013, net of accumulated amortisation	**7,190**	**1,121**
Total goodwill and intangible assets		**8,311**

During the financial year, the Group assessed the recoverable amount of goodwill and impaired $58 thousand (financial year 2013: nil) relating to Air Link's charter activities that were affected adversely by the slowdown in the mining industry.

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

	2014 $'000	2013 $'000
Air Link - Charter	-	58
Air Link - Passenger routes	518	518
Pel-Air	6,614	6,614
Total	**7,132**	**7,190**

The recoverable amounts of cash generating units are notated in Note 11.

13 TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade payables	13,146	13,595
Other payables	12,883	9,096
Total	**26,029**	**22,691**

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.

14 BORROWINGS

	Effective interest rate %	2014 $'000	2013 $'000
Current			
Loan facility	9.1%	2,448	2,235
Finance leases	5.1%	6,200	-
		8,648	**2,235**
Non-current			
Loan facility	9.1%	20,416	22,864
Finance leases	5.1%	15,013	-
		35,429	**22,864**

The loan facility was used by VAA Pty Ltd to fund a number of aircraft assets. The loan is repayable over 10 years from July 2011 to June 2021.

The finance leases were for purchase of 12 Saab aircraft and are repayable over 40 months from April 2014 to July 2017. The aircraft has been part of the operational fleet and was acquired at their lease end in March 2014.

The liabilities are secured over the assets being funded, the value of which exceeds the outstanding liabilities.

15 PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee benefits		
Profit share, bonus, pilot share gift	2,821	3,112
Annual leave and long service leave	4,113	4,371
	6,934	**7,483**
Non-current		
Employee benefits		
Long service leave	2,615	2,579
Total employee benefits provisions	**9,549**	**10,062**
Profit share, bonus, pilot share gift		
Balance at the beginning of the year	3,112	3,616
Arising during the year	1,831	2,339
Utilised	(2,122)	(2,843)
Balance at the end of the year	**2,821**	**3,112**
Annual leave and long service leave		
Balance at the beginning of the year	6,950	6,131
Arising during the year	6,732	6,832
Utilised	(6,954)	(6,013)
Balance at the end of the year	**6,728**	**6,950**

16 OTHER LIABILITIES

	2014 $'000	2013 $'000
Current		
Unearned passenger and charter revenue	18,753	19,446
Unearned training revenue	201	11

17 ISSUED CAPITAL

	2014 $'000	2013 $'000
Fully paid ordinary shares	72,024	71,959

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

	2014		2013	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
Balance at 1 July	110,090	71,959	110,090	71,959
Share issue	65	65	-	-
Balance at 30 June	**110,155**	**72,024**	**110,090**	**71,959**

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

During the financial year 2008, the Group executed a publicly announced share buy-back programme. All the shares purchased under the programme are cancelled. During the current year, no shares were bought back (2013: Nil).

Share units held as reserved shares by subsidiary company was 550,796 (2013: 616,684).

18 RESERVES AND OTHER RESERVES

	2014 $'000	2013 $'000
Reserved shares	(1,182)	(1,439)
Share-based payments reserve	789	676
General reserve	1,590	1,590
	1,197	**827**
Reserved shares		
Balance at 1 July	(1,439)	(1,816)
Purchase of shares on market	(477)	(316)
Share gift issued - gift	731	690
Share gift issued - salary sacrifice	3	3
Balance at 30 June	**(1,182)**	**(1,439)**

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

Share-based payments reserve		
Balance at 1 July	676	1,006
Share gift issued	(632)	(690)
Share gift - transfer to provision on amendment of EBA	-	(549)
Share gift plan provision	745	909
Balance at 30 June	**789**	**676**

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 financial year 2006.

Two groups namely the Flight Attendants and the Airline Services EBA staff opted not to receive share gift in lieu of higher base salaries. Pilots may elect to take cash payment in lieu of the share gift.

The board decided that this plan will be offered to all non-EBA employees who are not the subject of an adverse recommendation by the Remuneration and Nomination Committee. This plan is not based on any performance measures as it was established to show its recognition of employees' contribution to Rex by providing an opportunity to share in its future growth and profitability and to align the interests of the employees more closely with the interests of the shareholders.

Eligible employees who accept an offer of shares under the share plan will be entitled to receive the equivalent of 2% of their base salary in shares each financial year. 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.

General reserve		
Balance at 1 July	1,590	1,590
Balance at 30 June	**1,590**	**1,590**
Total other reserves	**1,590**	**1,590**

19 RETAINED EARNINGS

	2014 $'000	2013 $'000
Balance at 1 July	108,155	103,960
Dividends provided for or paid (Note 21)	-	(9,823)
Net profit for the year	7,725	14,018
Balance at 30 June	**115,880**	**108,155**

20 EARNINGS PER SHARE

	2014 Cents per share	2013 Cents per share
Basic earnings per share		
Basic earnings per share	7.0	12.8
Diluted earnings per share		
Diluted earnings per share	7.0	12.8

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

	2014 $'000	2013 $'000
Net profit	7,725	14,018
Earnings used in the calculation of basic EPS	7,725	14,018

	2014 No.'000	2013 No.'000
Weighted average number of ordinary shares for the purpose of basic EPS	109,946	109,387

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

	2014 $'000	2013 $'000
Net profit	7,725	14,018
Earnings used in the calculation of diluted EPS	7,725	14,018

	2014 No.'000	2013 No.'000
Weighted average number of ordinary shares for the purpose of diluted EPS	109,946	109,387

21 DIVIDENDS

	2014		2013	
	Cents per share	Total $'000	Cents per share	Total $'000
Unrecognised amounts				
Dividends on fully paid ordinary shares proposed for approval at AGM:	-	-	-	-
Fully franked final dividend	-	-	-	-

In respect of financial year ended 30 June 2014, the directors have recommended no dividends to be paid out in view of the substantial investments in financial year 2014 namely:

- purchase of Saab 340Bplus coming off lease;
- purchase of the entire spares holdings of Pinnacle Airlines comprising over 500,000 line items;
- purchase of a full flight simulator;
- construction of a purpose built building to house the simulator.
- avionics upgrade programme for the replacement of four display consoles.

Fully franked dividends paid in respect of the past financial year ended 30 June, were:

- Financial year 2012, 9.0 cents per share, paid on 30 November 2012

	2014 $'000	2013 $'000
Adjusted franking account balance	32,371	29,170
Franking credit / (debit) recognised that will arise from income tax payable/(recoverable) as at the end of financial year	237	990
Impact on franking account balance of dividends not recognised	-	-

22 COMMITMENTS FOR EXPENDITURE

The Group's commitments as at end of the financial year are as follows:

	2014 $'000	2013 $'000
(A) Capital Expenditure Commitments		
Property, plant and equipment – aircraft		
Not later than one year	-	31,599
	-	**31,599**
(B) Non-cancellable Operating Lease Commitments		
Not later than one year	-	4,483
	-	**4,483**

(C) Finance Lease Liabilities

The Group purchased some aircraft under finance leases. The lease term is 40 months from April 2014 to July 2017. The Group takes ownership of the aircraft at the end of the lease terms. The Group's obligations under the finance leases are secured by the lessors' title to the leased aircraft.

Interest rates are fixed at 5.1% per annum.

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

	Minimum lease payments		Present value of minimum lease payments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not later than one year	7,140	-	6,200	-
Later than one year and not later than five years	15,919	-	15,013	-
	23,059	-	21,213	-
Less future finance charges	(1,846)	-	-	-
Present value of minimum lease payments	**21,213**	**-**	**21,213**	**-**

	2014 $'000	2013 $'000
Included in the consolidated financial statements as (note 14)		
Current borrowings	6,200	-
Non-current borrowings	15,013	-
	21,213	**-**

23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2014, no contingent liabilities or assets existed.

24 SUBSIDIARIES

		Ownership interest	
Name of entity	Country of incorporation	2014 %	2013 %
Parent entity			
Regional Express Holdings Limited	Australia		
Subsidiaries			
Regional Express Pty Limited	Australia	100	100
Rex Freight & Charter Pty Limited	Australia	100	100
Rex Investment Holdings Pty Limited	Australia	100	100
Air Link Pty Limited	Australia	100	100
Pel-Air Aviation Pty Limited	Australia	100	100
Australian Airline Pilot Academy Pty Limited	Australia	100	100
VAA Pty Ltd	Australia	100	100

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

25 ACQUISITION OF BUSINESSES

No business was acquired during the financial year.

26 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:

	2014 $'000	2013 $'000
Cash and bank balances	21,967	44,155

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

	2014 $'000	2013 $'000
Profit for the year	7,725	14,018
Depreciation and amortisation	14,946	15,949
Goodwill impairment	58	-
Loss on disposal of other financial assets	11	-
Share-based payment	727	865
Difference in market value on share-based payment	18	44
Unrealised foreign exchange (gain)/loss	(49)	315
(Gain)/loss on disposal of non-current assets	19	(156)
Movement in bad debt provision	23	-
Interest received and receivable	(1,115)	(1,987)
Decrease/(increase) in receivables	(3,335)	(5,999)
Increase in inventories	(6,154)	(1,272)
Increase in issued capital	65	-
Increase/(decrease) in deferred tax	489	(108)
Decrease in current tax	(753)	(5,275)
Increase in trade payables	2,793	3,096
Increase/(decrease) in provisions	(513)	315
Increase/(decrease) in other liabilities	190	(26)
Net cash flows from operating activities	**15,145**	**19,779**

The Group acquired 12 aircraft for $22,712 thousand under finance leases in the financial year 2014 (2013: nil). The finance leases being non-cash investing and financing activities, are not reflected in the consolidated statement of cash flows.

(C) FINANCING FACILITIES

	2014		2013	
	Used $'000	Limit $'000	Used $'000	Limit $'000
Maximum facilities available and reviewed annually:				
Loan facility (fund aircraft purchases)	22,864	23,064	25,100	25,281
Leases (fund aircraft purchases)	21,213	22,712	-	-
Merchant prepayments	-	-	-	12,500
Tape negotiations authority	-	2,900	-	2,900
Letter of credit	-	1,809	1,619	1,809
Set off	-	1,000	-	1,000
Guarantee	2,576	2,687	2,551	4,170
Exposure mitigation - Cash	-	-	-	3,600
Credit card	362	620	78	620
	47,015	**54,792**	**29,348**	**51,880**

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

27 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 2013.

The capital structure of the Group consists of debt as disclosed in Note 14. Equity attributable to equity holders of the parent comprises issued capital, reserves and retained earnings as disclosed in Notes 17, 18 and 19 respectively.

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.

Following a successful tender, the Group was awarded the contract to provide fixed wing air ambulance aircraft to Ambulance Victoria. The Group took on a $30 million loan facility to acquire and equip 4 King Air B200C aircraft to fulfill the requirements of the contract. The Group drew down $26 million of the facility during financial year 2010, and $4 million during financial year 2011. At the end of financial year 2011, the loan was fully paid back and replaced by a $29 million loan facility which is fixed-interest bearing and repayable over 10 years from July 2011 to June 2021.

During the reporting period, the Group finalized the purchase of 25 latest generation Saab 340B*plus* aircraft. These aircraft were originally in the Rex fleet under an operating lease. The acquisition was partly funded by cash flows with the rest from bank finance leases repayable over 40 months from April 2014 to July 2017.

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

	2014 $'000	2013 $'000
Financial assets		
Debt [i]	(44,077)	(25,099)
Cash and cash equivalents	21,967	44,155
Excess of cash and cash equivalents over debt / (net debt)	**(22,110)**	**19,056**
Equity [ii]	**189,101**	**180,941**
Excess cash / (Net debt) to equity ratio	**-11.7%**	**10.5%**

[i] Debt is defined as long- and short-term borrowings, as detailed in Note 14.

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

(B) CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
Financial assets		
Loans and receivables	19,098	21,660
Cash and bank balances	21,967	44,155
Available-for-sale financial assets	10	21
Financial liabilities		
Amortised cost	70,106	47,790

(C) FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's financial risk is essentially in US dollars (USD) exposure and hence its main objective is to minimize the impact of USD fluctuation on its operations through spot purchases and/or hedges of the USD currency. The use of these financial instruments is governed by the Group's policy approved by the Board of Directors, which provides written principles on foreign exchange risk. Compliance with policies and exposure limits is reviewed by the Audit and Corporate Governance Committee and the Board on an ongoing basis. The Group does not enter into trade or financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function, which co-ordinates the hedging of foreign currency risks, is managed by the Group's 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	
2014 USD'000	2013 USD'000	2014 USD'000	2013 USD'000
3,185	3,136	-	-

FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

- USD 12 million for engineering purchases
- USD 12 million for engine care and maintenance
- USD 4 million for airline reservation systems usage
- USD 1 million for aircraft insurance policies

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

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. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2014 $'000	2013 $'000
Profit or loss	33	34

The Group's sensitivity to foreign currency has remained constant.

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group may enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions up to 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) INTEREST RATE RISK MANAGEMENT

The Group has very little exposure to interest rate risk as its borrowings detailed in Note 14 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.

(F) 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.

(G) LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's operating activities generate positive annual cash flow. The Group tries to maintain a $10 million cash balance by the end of each financial year. As and when required, the Group uses financing facilities as detailed in Note 26.

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
2014					
Non-interest bearing	26,029	-	-	-	-
Interest bearing	964	1,929	8,679	33,645	8,863
	26,993	**1,929**	**8,679**	**33,645**	**8,863**
2013					
Non-interest bearing	22,691	-	-	-	-
Interest bearing	369	739	3,324	17,726	13,294
	23,060	**739**	**3,324**	**17,726**	**13,294**

The interest-bearing liabilities have a weighted average effective interest rate of 9.1% per annum for the 10-year bank loan (financial year 2012 to financial year 2021), and 5.1% per annum for the 40-month bank finance leases (financial year 2014 to financial year 2017).

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

	1 month $'000	1-3 months $'000	3 months to a year $'000	1-5 years $'000	5+ years $'000
2014					
Non-interest bearing	42	69	287	715	998
Interest bearing	42	152	916	4,298	1,875
	84	**221**	**1,203**	**5,013**	**2,873**
2013					
Non-interest bearing	39	77	341	1,004	119
Interest bearing	69	106	648	3,687	1,550
	108	**183**	**989**	**4,691**	**1,669**

The interest-bearing assets have interest rates of 5% to 6% per annum.

The Group does not hold any other derivative financial instruments.

(H) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

28 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2014 $	2013 $
Short-term benefits	1,595,125	1,681,666
Post-employment benefits	130,115	117,967
Other long-term benefits	22,240	15,277
Share-based payment	24,596	24,092
	1,772,076	**1,839,002**

29 RELATED PARTY TRANSACTIONS

(A) EQUITY INTERESTS IN SUBSIDIARIES

Details of interests in subsidiaries are disclosed in Note 24 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 28 to the consolidated financial statements.

(II) LOANS TO KEY MANAGEMENT PERSONNEL

There have been no loans made to key management personnel.

(III) KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

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

	Balance at 1 July 2013	Additions / (Disposals)	Balance at 30 June 2014
Directors:			
Lim Kim Hai	24,236,143	-	24,236,143
The Hon. John Sharp	400,000	(200,000)	200,000
Lee Thian Soo	11,449,362	-	11,449,362
James Davis	200,866	-	200,866
Chris Hine	172,705	3,329	176,034
Garry Filmer	15,166	2,805	17,971
Key management personnel:			
Warrick Lodge	140,655	2,874	143,529
Irwin Tan	16,439	2,874	19,313
Dale Hall	30,937	2,576	33,513
Mayooran Thanabalasingham	69,017	2,874	71,891
Neville Howell	15,056	2,367	17,423
Png Yeow Tat	11,438	2,529	13,967

During the financial year, no options were granted to (2013: nil), nor exercised (2013: nil) by key management personnel for ordinary Rex shares. No options remained unpaid or to be exercised at the year end.

30 REMUNERATION OF AUDITORS

	2014 $	2013 $
Audit and review of the consolidated financial statements	270,500	256,000
Other non-audit services - tax compliance	39,900	37,800
	310,400	**293,800**

The auditor of the Group is Deloitte Touche Tohmatsu.

31 EVENTS AFTER THE REPORTING PERIOD

The Company continued repurchasing its own shares to replenish shares held under the Employee Share Gift Plan for distribution under financial year 2014 commitments. These shares will be available for redistribution in later years or for cancellation as the Board deems fit.

In July 2014, Pel-Air secured a contract extension to continue providing air charter services to Iluka Resources in South Australia. The contract extension backs the Group's ability to meet customer needs for fly in, fly out services.

On 18 August 2014, Air Link commenced twice weekly return Sydney to Dubbo RPT services using B1900D aircraft.

32 SEGMENT INFORMATION

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

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

- Regular public transport
- Charter
- Training

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Continuing operations				
Regular public transport	213,858	216,656	15,996	20,586
Charter	36,072	37,869	2,288	2,825
Training	3,406	3,786	(390)	(62)
	253,336	**258,311**	**17,894**	**23,349**
Finance income			1,115	1,987
Other gains and losses			339	1,902
Central administration costs and directors' salaries			(6,983)	(6,530)
Finance costs			(1,703)	(1,531)
Profit before tax			**10,662**	**19,177**
Income tax expense			(2,937)	(5,159)
Consolidated segment revenue and profit	**253,336**	**258,311**	**7,725**	**14,018**

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Continuing operations				
Regular public transport assets	202,503	171,941	54,405	30,125
Charter assets	78,689	79,637	36,168	39,645
Training assets	8,033	8,451	9,551	9,318
Total assets	**289,225**	**260,029**	**100,124**	**79,088**

Other segment information for the year is as follows:

	Depreciation and amortisation		Additions to non-current assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Continuing operations				
Regular public transport	8,871	9,702	58,837	6,670
Charter	5,796	5,977	1,830	2,439
Training	279	270	27	75
	14,946	**15,949**	**60,694**	**9,184**

33 PARENT ENTITY DISCLOSURES

		2014 $'000	2013 $'000
(A)	**Financial position**		
	Assets		
	Current assets	36,852	61,994
	Non-current assets	166,417	139,175
	Total assets	**203,269**	**201,169**
	Liabilities		
	Current liabilities	43,477	44,343
	Non-current liabilities	2,000	2,000
	Total liabilities	**45,477**	**46,343**
	Equity		
	Issued capital	72,024	71,959
	Retained earnings	84,928	82,090
	Share-based payments reserve	524	461
	General reserve	316	316
	Total equity	**157,792**	**154,826**
(B)	**Financial performance**		
	Profit for the year	2,839	11,666
	Other comprehensive income	-	-
	Total comprehensive income	**2,839**	**11,666**

(C) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

During the financial year 2011, 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'.

The statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group' can be found in the consolidated statement of profit or loss and other comprehensive income and statement of financial position along with the note on Regional Express Holdings Limited as parent found in Note 31 (A) and (B).

(D) Contingent liabilities of the parent entity

As at 30 June 2014, no contingent liabilities or assets existed (2013: nil).

(E) Commitments for the acquisition of property, plant and equipment by the parent entity

As at 30 June 2014, the parent entity has no commitment (2013: USD28,900 thousand) for acquisition of property, plant and equipment payable within one year.

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 3 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 33 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

Sydney, 28 August 2014

regulatory reports

Deloitte.

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

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

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

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

Report on the Financial Report

We have audited the accompanying financial report of Regional Express Holdings Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 62.

Directors' Responsibility for the Financial Report

The directors of the company 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Regional Express Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Regional Express Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in Note 19 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Regional Express Holdings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock

BJ Pollock
Partner
Chartered Accountants

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 financial year to 30 June 2014 and identifies any of the ASX Recommendations not followed and the reason why the Company has not adopted the ASX Recommendations. This statement adopts the ordering and numbering of the ASX Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a charter that details the roles and responsibilities of the Board and its members and their relationship with the Management Committee to achieve the objectives of delivering shareholder value. The Board's Charter, Board Committee Charters, Continuous Disclosure Policy and Code of Conduct are available for access by shareholders and the general public in the corporate governance section of the Company's website (ASX Recommendation 1.1).

The performance of each Management Committee member is evaluated against goals and objectives at least once a year with the assistance of the Remuneration and Nomination Committee (ASX Recommendation 1.2). The performance of the Management Committee was reviewed in financial year 2014 (ASX Recommendation 1.3).

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

The membership of the Board during the year ended 30 June 2014, including independence status was as follows:

Director	Status	Date of Appointment
Lim Kim Hai	Executive Chairman	Appointed 27 June 2003 and re-appointed 16 November 2006, 25 November 2009 and 27 November 2012.
The Hon. John Sharp	Deputy Chairman and Independent Director	Appointed 14 April 2005 and re-appointed 19 November 2008, 23 November 2011 and 27 November 2013.
James Davis	Independent Director	Appointed 26 August 2004 as Executive Director and re-appointed 23 November 2011 as Independent Director.
Garry Filmer	Chief Operating Officer Executive Director	Appointed 1 March 2012 and re-appointed 27 November 2012.
Chris Hine	Executive Director	Appointed 1 March 2011 and re-appointed 23 November 2011.
Lee Thian Soo	Non-Executive Director	Appointed 27 June 2003 and re-appointed 16 November 2006, 25 November 2009 and 27 November 2012.
Ronald Bartsch	Independent Director	Appointed 23 November 2010 and re-appointed 23 November 2011.

The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors (ASX Recommendation 2.1). Although the Board has only three directors out of seven that qualify as independent non-executive directors, Lee Thian Soo is non-executive and is only considered non-independent by virtue of his share ownership. 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 2.2 and 2.3), 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 is responsible for the management of the affairs of the Company and its subsidiaries (the Group), including:

(A) Strategic and Financial Performance

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

(B) Executive Management

- Appointing, monitoring, managing the performance of the Chief 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 Remuneration & Nomination 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 per year the Board will, with the assistance and advice of the Audit and Corporate Governance Committee, review the performance and effectiveness of the Company's corporate governance policies and procedures and, if appropriate, amend those policies and procedures as necessary.

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

(E) Risk Management

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

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

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

(F) Strategic Planning

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

(G) Performance Evaluation

- At least once per year the Board will, with the advice and assistance of the Remuneration and Nomination Committee, review and evaluate the performance of the Board, each Board Committee, and each individual director against the relevant Charters, corporate governance policies, and agreed goals and objectives (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 Remuneration and Nomination 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 financial year 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 **Remuneration and Nomination Committee** has been established by the Board of the Company (ASX recommendations 2.4 and 8.1) and applies to the Company and its subsidiaries to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by endeavouring to ensure that:

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

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

The Board acknowledges the ASX recommendations to have the Committee compose of a majority of independent directors and have at least 3 members. The Committee is currently made up of two directors. The Board feels at this stage that two members are sufficient for the Remuneration and Nomination Committee given the size of the Company and Board.

The Remuneration and Nomination Committee has a formal Charter which is available on the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

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

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 3.2).

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 (ASX Recommendation 3.3).

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 31%. There were eighteen women holding management positions in the Company. There were no female Board members or Management Committee members (ASX Recommendation 3.4).

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Regional Express Holdings Limited lodged its annual public report (2013-2014) 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 (ASX Recommendation 3.5)

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

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

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

The Committee is currently made up of two non-executive directors of which one is independent. The non-independent director, who is also the chair of the committee, is only considered non-independent by virtue of his share ownership. The Board feels that the directors in the audit committee will make decisions that are in the best interests of the shareholders in their duties as audit committee members and directors of the company. The Board also feels at this stage that two members are sufficient for the audit committee given the size of the company and Board.

The Audit and Corporate Governance Committee has a formal Charter which is available on the Company's website (ASX Recommendation 4.3).

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company complies with the continuous disclosure obligations of the ASX Listing Rules and, in doing so, immediately notifies the market of any material price sensitive information. The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the company secretaries for review (ASX Recommendations 5.1 and 5.2). The Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

It is the Company's policy that the principal communication with shareholders apart from the Company website is the provision of the Annual Report, including the Financial Statements, quarterly investor briefings and the Annual General Meeting (and any extraordinary meetings held by the Company). Shareholders are encouraged to participate in 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. 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 directors have ensured that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report thereon.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

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

The Committee is chaired by Ronald Bartsch. James Davis is the other Board member on the Committee. Descriptions of the members' qualifications, skills and experience are included in the Directors' Report.

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

The Board reviews the safety and risk management report prepared by the Group's Safety Manager at each Board meeting (ASX Recommendation 7.2).

The 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 7.3).

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

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

This page has been intentionally left blank

ASX ADDITIONAL INFORMATION AS AT 15 SEPTEMBER 2014

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 2,612 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	766	430,990	0.39
1,001 - 5, 000	1,259	3,474,732	3.15
5,001 - 10, 000	258	2,073,047	1.88
10, 001 - 100, 000	267	7,993,697	7.26
100, 001 and over	62	96,181,909	87.32
Total	**2,612**	**110,154,375**	**100.00**
Unmarketable Parcels	384	108,440	0.10

Substantial shareholders

	Fully Paid	
Ordinary Shareholders	Number	Percentage
MR KIM HAI LIM	18,480,630	16.78%
MR JOE TIAU TJOA	16,234,094	14.74%
THIAN SOO LEE	7,722,181	7.01%
JOO CHYE CHUA	7,454,362	6.77%
MING YEW SEE TOH & HUI ING TJOA	7,454,362	6.77%
MS 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	18,480,630	16.78%
MR JOE TIAU TJOA	16,234,094	14.74%
THIAN SOO LEE	7,722,181	7.01%
JOO CHYE CHUA	7,454,362	6.77%
MING YEW SEE TOH & HUI ING TJOA	7,454,362	6.77%
MS HUI LING TJOA	5,755,513	5.22%
CITICORP NOMINEES PTY LIMITED	5,358,482	4.86%
LAY KHIM NG	3,727,181	3.38%
REX INVESTMENT HOLDINGS PTY LIMITED	1,930,633	1.75%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,324,308	1.20%
MR THIAN SONG TJOA	1,254,727	1.14%
PACIFIC CUSTODIANS PTY LIMITED	1,100,000	1.00%
SCJ PTY LTD	1,000,000	0.91%
STRATEGIC VALUE PTY LTD	995,958	0.90%
STRATEGIC VALUE PTY LTD	932,615	0.85%
MASTAR PTY LIMITED	900,000	0.82%
BRAZIL FARMING PTY LTD	890,000	0.81%
JRHFS PTY LTD	884,730	0.80%
JOWONG PTY LIMITED	846,950	0.77%
GWYNVILL TRADING PTY LIMITED	800,000	0.73%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	660,210	0.60%

REX GROUP OF COMPANIES

rex. PEL-AIR AIR LINK AAPA AUSTRALIAN AIRLINE PILOT ACADEMY